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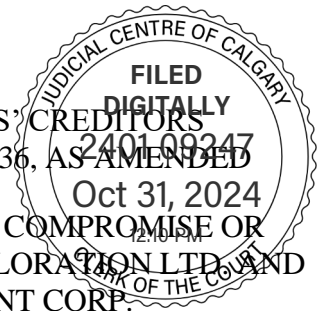
COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF LONG RUN EXPLORATION LTD. AND  
CALGARY SINOENERGY INVESTMENT CORP.



DOCUMENT

**SUPPLEMENT TO THE FIFTH REPORT OF FTI  
CONSULTING CANADA INC., IN ITS CAPACITY AS  
MONITOR OF LONG RUN EXPLORATION LTD. AND  
CALGARY SINOENERGY INVESTMENT CORP.**

**October 30, 2024**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
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**SUPPLEMENT TO THE FIFTH REPORT OF THE MONITOR**

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## INTRODUCTION

1. On July 4, 2024 (the “**Filing Date**”), China Construction Bank Toronto Branch (“**CCBT**”) in its capacity as collateral agent, sought and obtained an initial order (the “**Initial Order**”) from the Court of King’s Bench of Alberta (the “**Court**”) to commence proceedings under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**” and the “**CCAA Proceedings**”) in respect of Long Run Exploration Ltd. (“**Long Run**”) and Calgary Sinoenergy Investment Corp. (“**Calgary Sinoenergy**”, and collectively with Long Run, the “**Debtors**”). The Initial Order, among other things, established a stay of proceedings in favour of the Debtors for an initial stay period up to and including July 14, 2024 (the “**Stay Period**”), and appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”), with enhanced powers, pursuant to the provisions of the CCAA.
2. On July 12, 2024, this Honourable Court granted an amended and restated initial order (the “**ARIO**”) in the CCAA Proceedings. The ARIO granted, among other things, an extension to the Stay Period to July 31, 2024.
3. On July 30, 2024, this Honourable Court granted a Second Amended and Restated Initial Order (“**SARIO**”) in the CCAA Proceedings. The SARIO granted, among other things, the following relief within the CCAA Proceedings:
  - (a) an extension of the Stay Period from July 31, 2024 to October 31, 2024;
  - (b) authorized the Debtors to obtain interim financing pursuant to the terms of the DIP Financing Agreement (as defined in Schedule “**A**” to the SARIO), up to an amount equal to \$7.0 million, and granted a DIP Lender’s Charge (as defined in the SARIO) against the property of the Debtors, on the terms and priority in the proposed SARIO;
  - (c) amended the ARIO granted in these proceedings on July 12, 2024, to reflect the DIP Lender’s Charge (as defined in the SARIO) and the priority thereof;



- (d) approved the terms of a stalking horse subscription agreement between the Monitor (in accordance with its court-ordered enhanced powers) on behalf of Long Run and Hiking Group Shandong Jinyue Int’l Trading Corporation (“**Hiking**” or the “**Stalking Horse Bidder**”) dated July 23, 2024 (the “**Stalking Horse Subscription Agreement**”);
  - (e) approved a stalking horse sale and investment solicitation process in relation to the assets, property, and undertakings and/or business operations of the Debtors (the “**SISP**”); and
  - (f) approved the Debtors’ reimbursement of the Stalking Horse Bidder for certain fees incurred by it in connection with the negotiation of the Stalking Horse Subscription Agreement and the SISP and approved certain bid protections in favour of the Stalking Horse Bidder should a bid superior to that of the Stalking Horse Subscription Agreement be selected in accordance with the SISP.
4. Counsel for Henenghaixin Corp. (“**H Corp**”) attended the Application on July 30, 2024, and opposed certain of the relief being sought. Specifically, counsel for H Corp objected to the Stalking Horse Bid being approved, on the basis that if the Stalking Horse Bid ultimately became the Successful Bid as defined in the SISP, the Stalking Horse Bid contemplates that upon the granting of a reverse vesting order (to be applied for at the November 14 Application), the H Corp Claim (as defined below) would become one of the “Transferred Liabilities” transferred to a proposed Creditor Trust, and the Stalking Horse Bidder would not assume any liability in relation to the same. H Corp objected to the vesting of the H Corp Claim in the Creditor Trust in those circumstances. H Corp’s objections were dismissed, in part on the basis that its objections were premature as the Monitor was seeking approval for the SISP and not approval of the Stalking Horse Subscription Agreement or reverse vesting order.
5. On August 28, 2024, counsel for H Corp wrote to counsel for the Monitor and to a service list it had prepared, asserting for the first time that the Monitor’s legal counsel, Bennett Jones LLP, had previously acted for H Corp and was in a conflict of interest. In its letter to counsel for the Monitor, counsel for H Corp requested that Bennett Jones LLP cease to act as counsel for the Monitor.

6. On September 9, 2024, this Honourable Court granted a Consent Order which authorized and directed the Monitor to retain special legal counsel to advise and represent the Monitor in relation to the claim advanced by H Corp in Court of King’s Bench Action No. 2001-03353, as further described and defined below. Torys LLP was appointed as special legal counsel to the Monitor (the “**Monitor’s Special Counsel**”).
7. On October 29, 2024, the Monitor’s Counsel filed a notice of application returnable November 14, 2024 (the “**November 14 Application**”) seeking Orders granting the following relief, among other things:
  - (a) approving the transactions (the “**Transaction**”) contemplated in the Amended and Restated Subscription Agreement (the “**A&R Subscription Agreement**”) between the Debtors and 2657493 Alberta Ltd. (the “**Purchaser**”); and
  - (b) certain relief related to the Transaction on the terms outlined in the proposed reverse vesting order (“**RVO**”), including creating the Long Run Exploration Residual Trust, governed by the terms of the Creditor Trust Settlement.
8. Electronic copies of all materials filed in connection with the November 14 Application and other statutory materials are available on the Monitor's website at:  
<http://cfcanada.fticonsulting.com/longrun/>.

## **PURPOSE**

9. The purpose of this report (this “**Report**”) is to provide this Honourable Court and the Debtors’ stakeholders with information and the Monitor’s comments and recommendations with respect to the H Corp Claim.

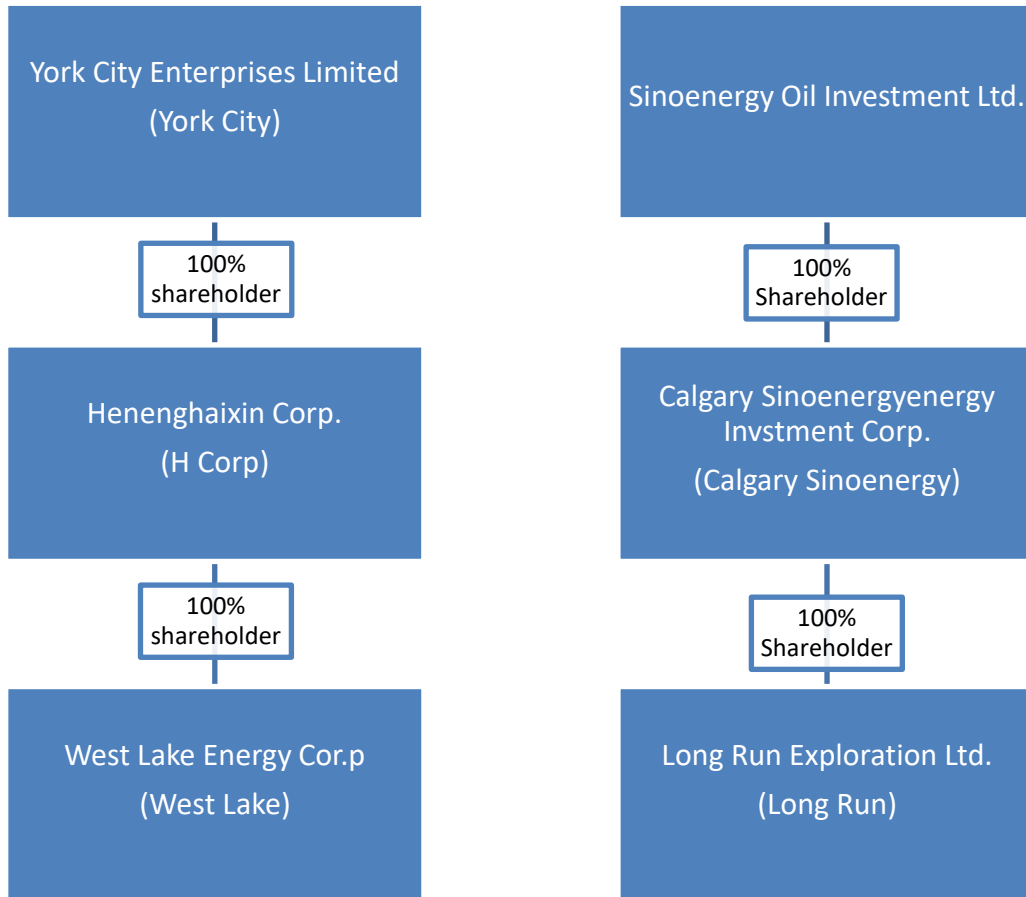
## TERMS OF REFERENCE

10. Capitalized terms used but not defined herein are given the meaning ascribed to them in the SARIO and the Fifth Report of the Monitor dated October 28, 2024 (the “**Fifth Report**”).
11. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Debtors’ books and records and discussions with various parties (collectively, the “**Information**”).
12. Except as described in this Report:
  - (a) 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*;
  - (b) 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*; and
  - (c) future oriented financial information reported or relied on in preparing this Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
13. The Monitor has prepared this Report in connection with the November 14 Application. This Report should not be relied on for other purposes.

14. Information and advice described in this Report that has been provided to the Monitor by the Monitor's Special Counsel was provided to assist the Monitor in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person. Nothing in this Report is intended nor should be interpreted to waive any solicitor and client privilege as between the Monitor and the Monitor's Special Counsel.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

### **BACKGROUND OF THE H CORP CLAIM**

16. H Corp commenced an action against the Debtors, Tianzhou Deng ("**Deng**"), Xiaobo Deng aka Lake Deng ("**Lake**") and Michael Lam ("**Lam**", and collectively with Deng and Lake, the "**Individual Defendants**") on February 28, 2020, in the Court of King's Bench of Alberta, Action No. 2001-03353 (the "**H Corp Claim**"). A copy of the H Corp Claim is attached as Appendix "**A**".
17. H Corp is an indirectly wholly owned subsidiary of two limited partnerships located in the People's Republic of China: Jiangyin Henenghaixin Investment Partnership ("**Jiangyin LP**") and Wuhan Changxin Heshend Industrial Investment Fund Partnership ("**Wuhan**"). H Corp is the sole shareholder of West Lake Energy Corp. ("**West Lake**"). To help illustrate the corporate structure we have provided the simplified organization chart below.



18. Paragraphs 15 to 17 of the Affidavit of Gaoyong Zhang affirmed September 13, 2024 (the “**Zhang Affidavit**”) provides a summary of transactions and indicates that approximately \$352 million (the “**Investment Funds**”) was advanced to York City Enterprise Inc. (“**York City**”) and York City then advanced the Investment Funds to H Corp.
  
19. The H Corp Claim states that the Investment Funds were intended to be used by H Corp for the acquisition of the assets of Twin Butte Energy Ltd. (“**Twin Butte**”) through a receivership sale with the balance of the funds intended to be used to make a capital injection into H Corp’s wholly owned subsidiary, West Lake.

20. H Corp alleges from approximately January to September 2017, Deng, while he was a director of H Corp and the Debtors, and assisted by Lake and Lam, wrongfully diverted net funds of \$43,765,669 from H Corp to the Debtors (the “**Claimed Funds**”). H Corp further claims that the diversion of the Claimed Funds was not known to H Corp until January 2019.
21. Exhibit 11 of the Zhang Affidavit contains a forensic report prepared by PricewaterhouseCoopers (“**PwC Report**”) which forms the basis the value of H Corp’s Claim. The PwC Report outlines a complicated series of transactions whereby H Corp, York City, the Debtors and other related and unrelated entities advance and receive payments (or benefits) back and forth which net out to the Claimed Funds. In summary:

<b>Claimed Funds</b>	
Net amounts advanced by H Corp to the Debtors	77,006,491
Payments/Benefits received by H Corp or its ultimate beneficiaries	<u>(33,240,792)</u>
<b>Claimed Funds</b>	<b><u>43,765,699</u></b>

22. Of the \$77,006,491 net advances above, H Corp alleges that the following net transfers were made from H Corp to the Debtors:
- (a) \$76,956,491 to Calgary Sinoenergy; and
  - (b) \$150,000 to Long Run.

H Corp has acknowledged that because the Debtors made payments towards a deposit for the Twin Butte assets and interest payments against a York City loan, the net outflow from H Corp amounts to the Claimed Funds.

23. H Corp alleges that the Debtors have been unjustly enriched at H Corp’s expense and seeks a declaration that funds and benefits received by the Debtors from H Corp are held in trust for its benefit.

## PROCEDURAL HISTORY

24. The Monitor notes the following with respect to the H Corp Claim:
- (a) on April 23, 2020, H Corp applied ex parte for an attachment order/Mareva injunction/disclosure order (the “**Attachment Order**”) against Deng, Lake, Lam and the Debtors and the order was granted by Justice B.E. Romaine on April 24, 2020;
  - (b) on March 3, 2021, on application by the Debtors, the Attachment Order against the Debtors was set aside by Justice B.E. Romaine;
  - (c) the Court of Appeal allowed the appeal with respect to Deng, Lake and Lam; and
  - (d) the H Corp litigation has been ongoing since the H Corp Claim was filed on February 28, 2020.

## TIMELINE OF ADVANCES FROM CCBT AND H CORP CLAIM

25. As described in the Monitor’s Fifth Report, Long Run has secured obligations owing to CCBQ and BOCQ under Credit Facilities pursuant to the Credit Agreement. A copy of the Credit Agreement and subsequent amendments are attached as Appendix “**B**”.
26. The initial advances under the Credit Facilities occurred on January 30, 2017 when Long Run issued a drawdown notice (the “**Drawdown Notice**”) for the maximum amount available under the Credit Facilities. A copy of the Drawdown Notice is attached as Appendix “**C**”.
27. Since January 31, 2017, there have been various amendments to the Credit Agreement (attached at Appendix “**B**”) as fully described in the Monitor’s Fifth Report. The amounts owing under the Credit Facilities include:

(a) \$243,606,593 owing to CCBQ (as of June 28, 2024 and excluding interest and penalties);  
and

(b) \$112,100,958 owing to BOCQ (as of December 21, 2023, excluding interest and penalties);

(collectively, the “**CCB Secured Debt**”).

28. The CCB Secured Debt is secured by the CCBT Security. The CCBT Security was assigned from CCBT to CCBQ, with Long Run as borrower and Calgary Sinoenergy as guarantor and a loan administration agreement between CCBT and CCBQ.

29. The CCBT Security was registered at the Alberta Personal Property Registry (“**PPR**”) on January 26, 2017. A copy of the Alberta PPR search results for Long Run is attached at Appendix “**D**”.

30. The Monitor’s Counsel has completed an independent security review of the CCBT Security and determined that it is valid and enforceable as more fully described in the Monitor’s Fifth Report.

31. The Monitor understands that the proceeds from the initial draw down of the Credit Facilities were used to repay and cancel Long Run’s credit facilities existing at the time which had approximately \$413 million outstanding as at December 31, 2016. A copy of Long Run’s financial statements for December 31, 2017, are attached as Appendix “**E**”.

32. The H Corp Claim was filed on February 28, 2020, and alleges that the Claimed Funds were advanced from approximately January to September 2017 (paragraph 16 of the H Corp Claim).

33. However, it appears the first transfer of the Claimed Funds did not occur until April 2017. Paragraph 25 of the Zhang Affidavit outlines a series of transfers from H Corp’s bank account to Calgary Sinoenergy as follows:

(a) \$15,000,000.00 on April 13, 2017;



- (b) \$10,000,000.00 on April 18, 2017;
- (c) \$22,000,000.00 on June 2, 2017;
- (d) \$500,000.00 on June 2, 2017;
- (e) \$11,150,000.00 on July 5, 2017;
- (f) \$31,000,000.00 on July 12, 2017;
- (g) \$3,596,491.00 on July 13, 2017; and
- (h) \$110,000.00 on September 5, 2017.

34. As indicated above the date of the transfers from H Corp to Calgary Sinoenergy appear to have been made after the date funds were advanced under the Credit Facilities and the CCBT Security was registered.

#### **DISPUTE BETWEEN CLASSIFICATION OF CLAIMED FUNDS**

35. H Corp alleges that the Claimed Funds were wrongfully diverted from H Corp to the Debtors and consequently, that the Debtors have been unjustly enriched at H Corp's deprivation. Accordingly, H Corp alleges that they have a valid constructive trust claim and it is a contingent proprietary claim that ought to be preserved as a priority claim against the assets of the Debtors and resolved in an expedited fashion.
36. The Debtors filed their statement of defence in response to the H Corp Claim on February 11, 2021, denying that H Corp is entitled to the relief it seeks. They assert that to the extent the Claimed Funds were received by the Debtors, they were subject to contracts entered into by one of the Debtors with the other, or with H Corp or York City.

### **Interco Loan Agreement**

37. Long Run as borrower and Calgary Sinoenergy as Lender entered into a Loan Facility Agreement dated June 29, 2016, pursuant to which Calgary Sinoenergy agreed to advance a loan in the aggregate principal amount of \$120,000,000 (the “**Interco Loan Agreement**”).
38. The Interco Loan Agreement was subsequently amended on August 29, 2016, January 31, 2017, and October 27, 2020. The aggregate amount of the Interco Loan Agreement was increased from time to time to \$600,000,000. The balance owing under the Interco Loan Agreement as at June 30, 2024, including principal and interest, was approximately \$558 million. The Interco Loan Agreement (and subsequent amendments) is attached as Appendix “**F**”.

### **York City Loan Agreement**

39. Lam has provided a copy of a Shareholder’s declaration of H Corp dated April 10, 2017 (the “**Shareholder Declaration**”) and a copy of a York City Loan Agreement (the “**York City Loan Agreement**”).
40. H Corp further alleges that the York City Loan Agreement which, among other things, loans Calgary Sinoenergy \$58,576,000 (the “**York City Loan Agreement**”), and the Shareholder Declaration with respect to the York City Loan Agreement are fraudulent.
41. The Monitor has not made any determination as to the legitimacy of the York City Loan Agreement or the Shareholder Declaration.
42. The Monitor notes that in its review of the Calgary Sinoenergy financial statements the amounts received from H Corp are recorded as intercompany loans.

43. The dispute regarding the classification of the advances from H Corp is clearly a complicated issue that has resulted in protracted litigation since the H Corp Claim was filed on February 28, 2020. Further complicating the matter is that H Corp and the Debtors had common directors including the Individual Defendants who appear to have been controlling finances and intermingling funds as among H Corp and the Debtors.

## **CONSTRUCTIVE TRUST**

44. Even if H Corp was able to establish that the Claimed Funds were improperly diverted from H Corp through Calgary Sinoenergy down to Long Run, the Monitor is of the view that H Corp fails to meet the requirements necessary to establish a constructive trust. The requirements that generally must be met in order to prove a constructive trust claim include:
- (a) evidence of unjust enrichment or some other wrongful act;
  - (b) the identification of specific property or assets that are subject to the claim and tracing of the enrichment to the property or assets in question; and
  - (c) calculating the value of a constructive trust claim.

### **Evidence of unjust enrichment**

45. Unjust enrichment must be established before a constructive trust can be imposed. To prove unjust enrichment, the court must find (i) an enrichment; (ii) a corresponding deprivation; and (iii) no juristic reason for allowing the enrichment or deprivation.

46. It is unclear to the Monitor whether there is a juristic reason because:
- (a) the Debtors assert that there was juristic reason as there was a Loan Agreement between York City, the parent of H Corp, and Sinoenergy, the parent of Long Run, suggesting that the Claimed Funds were transferred in accordance with the Loan Agreement. The Debtors claim that they made interest payments to York City; and
  - (b) H Corp alleges that the Loan Agreement and Shareholder Declaration made are fraudulent.
47. Regardless, as further detailed in the Bench Brief of the Monitor’s Special Counsel, the protection of the interests of all creditors is also a juristic reason for permitting an enrichment to an insolvent estate and such reasoning is applicable to the present case.

**Identification of specific property**

48. H Corp has not identified specific property to which the trust could apply. The simple “knowing receipt” of funds is not sufficient to establish a constructive trust if specific property cannot be identified which is the subject of the enrichment. The failure to identify specific property effectively turns the claim into a request for a floating charge, which courts have consistently rejected.
49. Furthermore, Long Run had substantial oil and gas assets well in advance of receiving the Claimed Funds, which were secured by the CCBT Security before the Claimed Funds were allegedly diverted. Therefore, a constructive trust claim that would effectively be granting H Corp a floating charge over all Long Run’s property and would be unjust and prejudicial to CCBQ and BOCQ who hold the CCB Secured Debt and to the DIP Lender, who would have claims which appear to be in priority to the H Corp claim.

## Calculating the value of the constructive trust claim

50. As outlined above, H Corp alleges the amount of the Claimed Funds is established on the basis of conclusions reached the PwC Report. The PwC Report outlines a complicated netting of inflows, outflows and benefits between H Corp, the Debtors and other related and unrelated entities that ultimately calculate the amount of the Claimed Funds. After reviewing the PwC Report, the Monitor notes the specific limitations contained in paragraph 5 of Appendix “A” of the PwC Report which states, “we cannot verify the completeness of additional payments or benefits made by the Unrelated Entities, or other entities on behalf of the Partnerships, if any, beyond those set out in this report”. In the PwC Report, the Debtors are defined as “Unrelated Entities”. An excerpt from the PwC Report is provided below.

### *Specific Limitations*

5. Our work was limited to the procedures specifically performed as set out in this report. We note the following specific limitations:
  - a. We cannot verify the completeness of additional payments made by Unrelated Entities, or other entities on behalf of the Partnerships, if any, beyond those set out in this report;
  - b. We have not analyzed the bank statements of subsidiaries wholly owned and/or controlled by the Partnerships, unless otherwise stated;

51. Due to the specific limitations above, the Monitor is not able to ascertain the value of H Corp’s claim and accordingly H Corp fails this requirement to establish a constructive trust claim.

## **PREJUDICE TO OTHER CREDITORS AND IMPACT ON THE CCAA PROCEEDINGS**

52. The Fifth Report outlines the results of the SISF and the request to this Honourable Court for approval of the A&R Subscription Agreement. In the Monitor’s view, the Transaction is the only viable alternative in the circumstances and the only transaction available that could be supported by the guidance of the Alberta Energy Regulator (“**AER**”) in the context of insolvency transactions.

53. The A&R Subscription Agreement provides the greatest benefit to certain of the Debtors' priority stakeholders including:
- (a) the DIP Lender because the amounts advanced under the DIP Agreement and secured by the DIP Lender's Charge are being set-off (credit bid) against the Purchase Price;
  - (b) municipalities which will receive approximately \$13.6 million in satisfaction of outstanding municipal taxes;
  - (c) CCBQ and BOCQ, given the assumption of the CCB Secured Debt (approximately \$355 million);
  - (d) freehold surface and mineral lease holders which will have their pre-filing liabilities owing from Long Run retained;
  - (e) approximately 116 employees and contractors will have continuing employment;
  - (f) creditors and suppliers will have ongoing business relationships if Long Run continues operating in the normal course; and
  - (g) AER and the Orphan Well Association ("OWA") will benefit as the Purchaser is assuming approximately \$453 million of environmental liabilities (per Long Run June 30, 2024 internal financial statements) that may otherwise end up with the OWA.
54. Counsel for H Corp stated in a letter dated October 8, 2024, that they have instructions to exhaust all legal remedies and oppose the Stalking Horse Subscription Agreement unless, among other things, the H Corp Claim is treated as a "Retained Liability". A copy of the October 8, 2024 letter is attached as Appendix "G".

55. Counsel for the Stalking Horse Bidder previously indicated in a letter dated September 11, 2024, that it will not proceed with the Stalking Horse Subscription Agreement if the H Corp Claim is treated as a “Retained Liability”. A copy of this letter is attached as Appendix “H”.
56. If the A&R Subscription Agreement does not proceed, the Monitor is of the view that there is unlikely to be another transaction available to the Debtors that will result in the sale of all or substantially all of the PN&G Assets (as demonstrated by the results of the Court-approved SISP). Therefore, a bankruptcy and/or turning care and custody of the PN&G Assets over to the OWA is the only likely alternative.
57. Additionally, the cash flow statement illustrated in the Fourth Report demonstrates that the Debtors will not have sufficient liquidity to continue meeting post-filing obligations or the cost of these CCAA Proceedings past November 30, 2024, after exhausting the current maximum amount available under the DIP Financing Agreement.
58. In the Monitor’s view, it would be unjust and prejudicial to harm the recoveries to all of the above noted creditors and stakeholders because of an unproven constructive trust claim. Amongst other things, this speaks to public interest.

#### **MONITOR’S COMMENTS ON THE H CORP CLAIM**

59. In the Monitor’s view, H Corp’s objections and the H Corp Claim should be dismissed for the following reasons:
- (a) as of the date of this Report, the H Corp Claim has not been proven and in fact has been outstanding since February 28, 2020. The dispute involves allegations of falsified financial statements/loan documents, misuse of funds and fraud perpetrated by common directors who controlled and comingled funds through a complicated series of transactions between H Corp, York City, the Debtors and other entities. This is clearly a complicated issue that cannot be fully determined on an expedited basis;

- (b) the cash flows project the Debtors will fully exhaust their available liquidity by the end of November 2024. There is simply not enough time or money to untangle the transactions at issue;
- (c) the H Corp Claim fails to meet the requirements to establish a constructive trust as outlined above and in more detail in the Bench Brief of the Monitor's Special Counsel. In particular, H Corp is not able to identify specific property to which the trust could apply;
- (d) the CCB Secured Debt was advanced and the CCBT Security was registered prior to any funds being transferred or otherwise paid from H Corp to Calgary Sinoenergy or Long Run. It is inappropriate to impose a constructive trust based on unproven claims, especially when doing so would come at the expense of other creditors who have satisfied their statutory obligations and have registered security over the property of the Debtors, particularly prior to the Claimed Funds being allegedly diverted; and
- (e) allowing the H Corp Claim would result in the A&R Subscription Agreement being terminated, which would in turn result in substantial prejudice to other creditors and stakeholders as outlined above. The current cash flow estimates that the existing interim financing will be exhausted by the end of November 2024. If the Debtors exhaust all available liquidity without successfully closing the Transaction the Monitor expects the result would be a termination of the CCAA Proceedings.



## CONCLUSIONS AND RECOMMENDATIONS

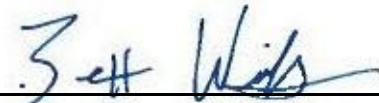
60. Based on the foregoing, the Monitor is of the view that the relief being sought is reasonable and justified in the circumstances and respectfully recommends that this Honourable Court approve the Transaction and grant the RVO on the terms proposed.

All of which is respectfully submitted this 30th day of October 2024.

FTI Consulting Canada Inc., LIT, in its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp., not in its personal or corporate capacity



Name: Dustin Olver, CPA, CA, CIRP, LIT  
Title: Senior Managing Director  
FTI Consulting Canada Inc.



Name: Brett Wilson, CFA  
Title: Managing Director  
FTI Consulting Canada Inc.

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “A” – H Corp Claim**

Form 10  
[Rule 3.25]

COURT FILE NUMBER 2001-03353

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

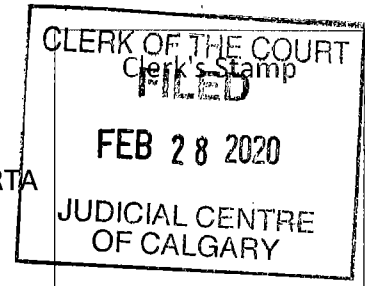
PLAINTIFFS HENENGAIXIN CORP.

DEFENDANTS TIANZHOU DENG, XIAOBO DENG aka LAKE DENG, MICHAEL LAM, CALGARY SINOENERGY INVESTMENT CORP., LONG RUN EXPLORATION LTD., JOHN DOE, and ABC CORPORATION

DOCUMENT **STATEMENT OF CLAIM**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **JENSEN SHAWA SOLOMON DUGUID HAWKES LLP**  
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**NOTICE TO DEFENDANT(S)**

You are being sued. You are a Defendant.

Go to the end of this document to see what you can do and when you must do it.

**Note: State below only facts and not evidence (Rule 13.6)**

**Statement of facts relied on:**

1. The Plaintiff, Henenghaixin Corp. ("**H Corp.**"), is a corporation incorporated pursuant to the laws of Alberta. H Corp. is an indirectly wholly owned subsidiary of two limited partnerships located in the People's Republic of China ("**PRC**"): Jiangyin Henenghaixin Investment Partnership ("**Jiangyin LP**") and Wuhan Changxin Hesheng Industrial Investment Fund Partnership ("**Wuhan LP**"). H Corp. is the sole shareholder of West Lake Energy Corporation ("**West Lake**"), a corporation incorporated pursuant to the laws of Alberta.

2. The Defendant, Calgary Sinoenergy Investment Corporation ("**Calgary Sinoenergy**"), is a corporation incorporated pursuant to the laws of Alberta.
3. The Defendant, Long Run Exploration ("**Long Run**"), is a corporation incorporated pursuant to the laws of Alberta. Long Run is a wholly-owned subsidiary of Calgary Sinoenergy.
4. The Defendant, Tianzhou Deng, is an individual ordinarily resident in Beijing, in the PRC. Mr. Deng is a well-known businessman in the PRC. Mr. Deng is a former director of the Plaintiff, H Corp., having served as a director of H Corp. from November 23, 2016 to September 21, 2017. Mr. Deng is also a director of Calgary Sinoenergy, a director of Long Run, and a director of West Lake.
5. The Defendant, Xiaobo Deng, also known as Lake Deng, is an individual ordinarily resident in Calgary, Alberta. Ms. Deng is Mr. Deng's daughter. Ms. Deng is a former director of West Lake, having served as a director of West Lake from April 2, 2017 to April 19, 2018. Ms. Deng is also a director of Long Run.
6. The Defendant, Michael Lam, is an individual ordinarily resident in Calgary, Alberta. Mr. Lam is a trusted advisor of Mr. Deng and a business associate of Ms. Deng.
7. Both Ms. Deng and Mr. Lam represented themselves as having authority to direct the affairs of H Corp. and West Lake as delegates of Mr. Deng. They held out Mr. Deng as being the ultimate owner of controller of H Corp. As outlined below, they had no such authority. However, under the pretenses of having such authority, Ms. Deng, Mr. Lam, and Mr. Deng wrongfully removed tens of millions of dollars from H Corp., as detailed below.
8. The Defendants John Doe and ABC Corporation are individuals and corporations who participated in the acts described below, or have received some or all of the funds so misappropriated, the identity of which is currently only known to the other Defendants.

#### Background

9. Through a series of subsidiaries, Jiangyin LP and Wuhan LP contributed a combined CAD\$352.5 million to H Corp. for the purpose of (i) acquiring the assets of Twin Butte Energy Ltd. ("**Twin Butte**"), an Alberta-based oil and gas firm, out of receivership, and (ii) providing the working capital required to operate the assets once purchased (the "**Investment Funds**").
10. In March 2017, the Twin Butte assets were ultimately acquired by West Lake, a wholly-owned subsidiary of H Corp., for a purchase price of CAD\$266,000,000.00, less adjustments of CAD\$3,194,245.56.

11. H Corp. believed that the Investment Funds, less the purchase price for the Twin Butte assets net of adjustments, would be available for West Lake to operate the Twin Butte assets. Those remaining funds were not to be used for any other purpose.

The Misappropriation and Diversion of Funds from H Corp.

12. Ms. Deng advised a consultant in her employ that her father, Mr. Deng, was acquiring the assets of Twin Butte out of receivership. She arranged for the consultant to become a director of H Corp. and an officer of West Lake.
13. Mr. Lam represented to individuals at H Corp. that he had full financial authority over the financial affairs of H Corp., which he described as a holding company of "Sinoenergy" (Mr. Deng is the founder and major shareholder of Changchun Sinoenergy Corp., an entity publically traded on the Shanghai Stock Exchange).
14. In this way, Ms. Deng and Mr. Lam represented that Mr. Deng owned and controlled H Corp., and that they had authority to direct the affairs of H Corp on his behalf.
15. None of this was true.
16. From approximately January to September 2017, or such other time as may be determined through oral and documentary discovery in the within Action and be proven at trial, while Mr. Deng was simultaneously a director of H Corp. and controlling shareholder and director of Calgary Sinoenergy and Long Run, approximately \$44 million of the Investment Funds received by H Corp. were diverted to Calgary Sinoenergy and Long Run (the "**Diverted Funds**").
17. These transfers occurred at the behest of Mr. Deng, Ms. Deng, and Mr. Lam.
18. It is expected that Calgary Sinoenergy and Long Run thereafter provided the Diverted Funds to others, the identities of which include Ms. Deng, Mr. Deng, Mr. Lam, John Doe and ABC Corporation.
19. There was no legitimate reason for the diversions.
20. The improper diversion of the "Diverted Funds" was unknown, and unknowable to H Corp. until January, 2019 at the earliest.

Breach of Director's Duties

21. As a director of H Corp., Mr. Deng owed a duty to H Corp. to act in its best interests.
22. Mr. Deng breached these duties by either actively arranging for the transfer of the Diverted Funds, or, alternatively, by allowing the Diverted Funds to be transferred as a result of insufficient oversight or insufficient internal controls.

23. As a result of the breach of his duties, H Corp. suffered damages and loss in the amount of \$44 million, or such other amount as may be proved at the trial of this Action.

#### Knowing Assistance and Knowing Receipt

24. Calgary Sinoenergy and Long Run knew or were recklessly or willfully blind to the fact that either or all of Mr. Deng, Ms. Deng, and Mr. Lam were fraudulently misappropriating the Diverted Funds from H Corp. to the detriment of H Corp. and that Mr. Deng was in breach of his fiduciary obligations to H Corp. Calgary Sinoenergy and Long Run received and accepted, for their own benefit, the Diverted Funds when each knew or ought to have known that their receipt of any portion of the Diverted Funds arose from, and were made to each of them through, fraudulent misappropriation and in breach of the fiduciary duties owed by Mr. Deng.
25. Calgary Sinoenergy and Long Run's receipt and acceptance of the Diverted Funds in these circumstances constituted a knowing receipt of the Diverted Funds, which had been fraudulently misappropriated from H Corp. As such, Calgary Sinoenergy and Long Run hold the Diverted Funds as constructive trustees of H Corp.
26. Calgary Sinoenergy and Long Run have misused and converted the Diverted Funds to their own use such that H Corp. is unable to determine what entity or individual is currently in possession of the Diverted Funds, or a portion thereof.
27. H Corp. claims return of the Diverted Funds in whatever form to which they can be traced. H Corp. also claims damages to the extent such funds have been dissipated or to the extent such assets purchased from the funds have decreased in value.

#### Misrepresentation

28. The Defendants Mr. Deng, Ms. Deng, and Mr. Lam made representations to officers of H Corp. that they had authority to direct the diversion of funds from H Corp. These representations were made with the intent that directors and officers of H Corp. would rely on them, and the Defendants Mr. Deng, Ms. Deng, and Mr. Lam knew or ought to have known that they would in fact be relied upon. These representations were in fact false.
29. On the basis of these representations, funds were wrongfully diverted out of H Corp. But for the misrepresentations, the funds would not have been wrongfully diverted.
30. As a result of these misrepresentations and H Corp.'s reliance on them, H Corp. has suffered damage in the amount of \$44 million or such other amount as shall be proved at the trial of this Action.

### Conversion

31. By means of the Diverted Funds, the Defendants have converted the Plaintiff's funds to their own use and thereby deprived the Plaintiff of the benefit of those funds.
32. The Plaintiff is entitled to restitution of the entire amounts so fraudulently converted.  
Unjust Enrichment
33. The Defendants Sinoenergy Canada and Long Run have been enriched in the amount of the Diverted Funds, the Plaintiff has been deprived by a like amount, and there is no juristic reason for either the enrichment or the deprivation.

### Conspiracy

34. The Defendants had an agreement pursuant to which they acted in concert and engaged in all of the foregoing conduct with the predominate purpose of causing injury to the Plaintiff. Alternatively, the Defendants had an agreement pursuant to which they acted both in concert and unlawfully, and the Defendants knew or ought to have known that the Plaintiffs would suffer harm as a result of the Defendants' actions.
35. By virtue of the Defendants' conspiracy, the Plaintiffs have suffered losses including the loss of the Diverted Funds. Further, by conspiring in the manner they have, the Defendants are jointly and severally liable to the Plaintiff for the entirety of the Plaintiff's loss notwithstanding that a particular Defendant may not have conducted a particular act alleged above.

### Fraudulent Conveyances

36. At various times, the full particulars of which are only known to the Defendants, the Defendants have transferred assets from themselves to others in order to avoid creditors, including the Plaintiff, or alternatively to payees in preference to other creditors, including the Plaintiff (the "Fraudulent Conveyances"). The Fraudulent Conveyances were done at such a time as the Defendants knew they were insolvent or knew that in light of the claims against them, including the potential claim of the Plaintiff, they were on the eve of insolvency. All such Fraudulent Conveyances were illegal and contrary to the Statue of Elizabeth and the *Fraudulent Preferences Act*, RSA 2000, c F-24.
37. The Plaintiff seeks that the Fraudulent Conveyances be set aside and any assets so transferred made available to the Plaintiff to satisfy the judgment given to the Plaintiff in this Action.
38. As a result of the Fraudulent Conveyances, the Plaintiff expressly claims the right to constructive trusts and equitable liens in and against the assets so fraudulently conveyed.

Tracing, Freezing Assets, Accounting, and Disgorgement

39. As a result of the Defendants' wrongful conduct as set out above, the Plaintiff is entitled to trace all amounts received or disbursed by the Defendants as part of or as a result of the conduct outlined above. The Plaintiff is also entitled to an accounting of the monies belonging to the Plaintiff that have come into the possession of the Defendants and to an accounting of any benefit received by the Defendants as a result of the Diverted Funds.
40. The Plaintiff is also entitled to interlocutory and permanent injunctions restraining the Defendants from disposing of any of their assets wheresoever located and an accounting of all of the Defendants' assets, effects, and property, including any trust account or jointly held assets, any improper disposition thereof, and all money had or received by the Defendants or anyone on their behalf.
41. The Defendants are liable to make restitution to the Plaintiff and to disgorge any benefit they have received from the Diverted Funds to the Plaintiff.
42. The Plaintiff has also suffered significant out of pocket expenses and special damages in its detection, investigation, and quantification of the fraud and losses suffered and the attempt to recover the Diverted Funds, in an amount to be proven at trial.

Technical Matters

43. The Plaintiff believes it is unlikely that the Trial in this Action will exceed 25 days
44. The Plaintiff proposes that the Trial of this Action be held at the Calgary Courts Centre, in the City of Calgary, in the Province of Alberta.

Service *Ex Juris* on Mr. Deng

45. There is a real and substantial connection between Alberta and the facts on which the claims in this Action are based, including that:
  - (a) Mr. Deng was a director of relevant Alberta-based corporations and the claim is governed by the laws of Alberta;
  - (b) The claim relates to torts committed in Alberta;
  - (c) The claim related to the removal of assets from an Alberta-based corporation;
  - (d) The defendant, Mr. Deng, although outside Alberta, is a necessary or proper party to the action brought by others who are resident in Alberta;
  - (e) The Action relates to a breach of an equitable duty in Alberta.



**Remedy sought:**

46. The Plaintiff seeks against the Defendants jointly and severally:
- (a) An Order for service *ex juris* permitting service of the documents in this Action on Mr. Deng in the PRC;
  - (b) An Order freezing the assets of all the defendants named in this Statement of Claim or granting other interim relief as may be sought;
  - (c) A Norwich Order for the disclosure of records and information relating to the bank accounts of each of the Defendants;
  - (d) Judgment, or in the alternative damages, for the fraudulent taking of the Diverted Funds in the amount of \$44 million and such further amounts as will be discovered through the oral and documentary discovery process in the within Action and proven at Trial;
  - (e) An Order declaring that any funds or benefits received by Mr. Deng, Ms. Deng, or Mr. Lam from the Diverted Funds are held in trust for H Corp. and that H Corp. is permitted to trace the Diverted Funds that Mr. Deng, Ms. Deng, and Mr. Lam fraudulently obtained from H Corp. into and through any financial institution accounts or deposit facilities in the names of Mr. Deng, Ms. Deng, or Mr. Lam and into or through any assets purchased by Mr. Deng, Ms. Deng, or Mr. Lam;
  - (f) An Order declaring that Mr. Deng, Ms. Deng, and Mr. Lam must account to H Corp. for all monies taken from H Corp. as the Diverted Funds;
  - (g) An Order declaring that any funds or benefits received by Calgary Sinoenergy and Long Run from the Diverted Funds are held in trust for H Corp. and that H Corp. is permitted to trace as follows the Diverted Funds that Calgary Sinoenergy and Long Run fraudulently obtained from H Corp. into and through any financial institution accounts or deposit facilities in the names of Calgary Sinoenergy or Long Run and into or through any assets purchased by Calgary Sinoenergy or Long Run or into the hands of any person or entity;
  - (h) An Order declaring that Calgary Sinoenergy and Long Run must account to H Corp. for all monies taken from H Corp. as the Diverted Funds and disgorge same;
  - (i) Setting aside the Fraudulent Conveyances and granting constructive trusts or equitable liens over any assets so fraudulently conveyed;
  - (j) Special damages and out of pocket expenses arising out of the detection, investigation, quantification, and recovery of the fraud, losses and consequential losses suffered by H Corp. in the amount to be proven at the Trial of this Action;

- (k) Interest in accordance with the *Judgment Interest Act*, RSA 2000, c J-1, as amended;
- (l) Costs of this Action on a full indemnity solicitor and own client basis; and
- (m) Such further and other relief as this Honourable Court may deem just.

**NOTICE TO THE DEFENDANT(S)**

You only have a short time to do something to defend yourself against this Claim:

- 20 days if you are served in Alberta
- 1 month if you are served outside Alberta but in Canada
- 2 months if you are served outside Canada.

You can respond by filing a Statement of Defence or a Demand for Notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your Statement of Defence or a Demand for Notice on the Plaintiff's(s') address for service.

**WARNING**

If you do not file and serve a Statement of Defence or a Demand for Notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a Court may give a judgment to the Plaintiff(s) against you.

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “B” – Credit Agreement dated January 31, 2017**

**CREDIT AGREEMENT**

**BETWEEN**

**LONG RUN EXPLORATION LTD.**

**as Borrower**

**AND**

**CALGARY SINOENERGY INVESTMENT CORP.**

**as Guarantor**

**AND**

**CHINA CONSTRUCTION BANK TORONTO BRANCH**  
**as Lender**

**MADE AS OF**

**January 31, 2017**

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## CREDIT AGREEMENT

THIS AGREEMENT is made as of January 31, 2017

BETWEEN

Long Run Exploration Ltd., a corporation incorporated under the laws of the Province of Alberta, Canada (the “**Borrower**”),

- and –

Calgary Sinoenergy Investment Corp., a corporation incorporated under the laws of the Province of Alberta, Canada, as a Guarantor

- and –

China Construction Bank Toronto Branch, a Schedule III bank (the “**Lender**”).

WHEREAS the Borrower has requested the Credit Facilities and the Lender has agreed to provide the Credit Facilities to the Borrower upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

### ARTICLE 1 - INTERPRETATION

#### 1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Adjusted Excess Cash Flow**” means, for any period, with respect to the Borrower on a consolidated basis, an amount determined in Canadian Dollars equal to Consolidated EBITDA, less:

- (i) the aggregate of:
  - (A) Total Interest Expense (calculated on the basis of amounts that are actually paid) for such period;
  - (B) permanent debt repayments of the Borrower actually paid during such period;
  - (C) the amount of all Capital Expenditures of the Borrower not financed by debt actually paid by the Borrower during such period; and
  - (D) all amounts actually paid by the Borrower in such period in respect of Capital Leases; and



(ii) Taxes actually paid by the Borrower in such period.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agreement**” means this credit agreement, including its recitals and schedules.

“**Applicable Law**” means:

- (i) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise);
- (ii) any judgement, order, writ, injunction, decision, ruling, decree or award;
- (iii) any regulatory policy, practice, guideline or directive; or
- (iv) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

“**Applicable Margin**” means the percentage rate *per annum* determined in accordance with the applicable table below. Upon the occurrence of, and during the continuance of, an Event of Default, the Applicable Margin will be as set forth in the applicable table below for the applicable type of Loan plus 2.00% *per annum*.

*Revolving Term Facility*

<i>CDOR Margin</i>	<i>Standby Fee Rate</i>
245 bps (2.45%)	61.25 bps (.6125%)

*Non-Revolving Term Facility*

<i>CDOR Margin</i>	<i>Standby Fee Rate</i>
245 bps (2.45%)	61.25 bps (.6125%)

“**Applicable Margin Adjustment Date**” has the meaning set forth in Section 4.04.

“**Assignment**” has the meaning set out in Section 14.07(1).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

**“Bail-In Legislation”** means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

**“Borrower’s Accounts”** means the accounts maintained from time to time by the Borrower with the Lender or such other banks notified to the Lender and, as so required by the Lender, subject to an acceptable control agreement.

**“Borrower’s Counsel”** means McCarthy Tétrault LLP or such other firm of legal counsel as the Borrower may from time to time designate and that is acceptable to the Lender.

**“Business Day”** means a day of the year, other than a Saturday, Sunday or statutory holiday, on which the Lender is open for business at its executive offices in Toronto, Ontario.

**“Canadian Dollars”** and **“Cdn. \$”** mean the lawful money of Canada.

**“Capital Expenditures”** means any expenditure made by any Person for the purchase or acquisition, repair or replacement of capital assets, net of proceeds of disposition of capital assets (other than proceeds received on a sale-leaseback transaction), and any expenditure related to a Capital Lease or an operating lease in respect of which such Person has furnished a residual value guarantee to the lessor, but excluding the amount expended on repair or replacement of Property to the extent of insurance proceeds or third party funding received by such Person on account of damage or destruction, all as determined in accordance with GAAP.

**“Capital Lease”** means a capital lease or a lease that should be treated as a capital lease under GAAP.

**“Capitalization”** means, with respect to a Person, the sum of the Debt and Equity of such Person as shown on the balance sheet forming part of the most recent consolidated financial statements of such Person.

**“Cash Equivalents”** means:

- (i) marketable direct obligations issued by, or unconditionally guaranteed by, the Government of Canada or any agency or instrumentality of either of them, and backed by the full faith and credit of Canada or the United States, as the case may be, in each case maturing within one year from the date of acquisition;
- (ii) term deposits, certificates of deposit or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of Canada or any state thereof having combined capital and surplus of not less than \$300,000,000; and
- (iii) commercial paper of an issuer rated at least A-1+ or the equivalent thereof by Standard & Poor’s Ratings Services or at least P-1 or the equivalent thereof by Moody’s Investor Service Inc. or at least R-1 (High) or the equivalent thereof by Dominion Bond Rating Service Limited, and in each case maturing within six months from the date of acquisition.

**“CDOR”** means, with respect to any Interest Period, the stated average of the annual rates that appears on the Reuters Screen CDOR page with respect to banks named in Schedule I to the Bank Act (Canada) as of 10:00 a.m. (Toronto time) on such day (or, if such day is not a Business Day, as of 10:00 a.m. on the next preceding Business Day) for bankers’ acceptances issued on that day for a term equal or comparable to the term of such bankers’ acceptances, provided that, if such rate does not appear on the Reuters Screen CDOR page at such time on such day, CDOR for such day will be the discount rate (calculated on an annual basis and rounded upward, if necessary, to the nearest whole multiple of 1/100 of 1%, with 5/1,000 of 1% being rounded up) as of 10:00 a.m. on such day at which such other financial institutions as selected by the Lender, from time to time, are then offering to purchase bankers’ acceptances accepted by it having an aggregate face amount equal to the aggregate face amount of, and with a term equal or comparable to the term of, such bankers’ acceptances.

**“CDOR Loan”** means a Loan made in Canadian Dollars by the Lender pursuant to which CDOR is the applicable rate of interest.

**“CDOR Margin”** means, for any period, the applicable percentage rate *per annum* applicable to that period as set out below the heading “CDOR Margin” in the definition of “Applicable Margin”.

**“Change in Law”** means the occurrence, after the date of this Agreement, of any of the following:

- (i) the adoption or taking effect of any Applicable Law,
- (ii) any change in any Applicable Law or in the administration, interpretation or application thereof by any Governmental Authority; or
- (iii) the making or issuance of any Applicable Law by any Governmental Authority.

**“Closing Date”** means January 31, 2017.

**“Commitment”** means each amount specified in Schedule A, in each case being the sum of the maximum aggregate amount of Loans that the Lender is obliged to make, as each such amount may be reduced from time to time by the amount of any permanent repayments, reductions or prepayments required or made hereunder, or may be cancelled or terminated pursuant to this Agreement.

**“Compliance Certificate”** means the certificate required pursuant to Section 9.03(3), substantially in the form attached as Schedule 1.01(A), signed by any one of the President, a Senior Vice-President or the Chief Financial Officer of the Borrower.

**“Consolidated EBITDA”** means, without duplication, in respect of any period of determination and as determined on a consolidated basis in respect 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 Borrower and its Subsidiaries, 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; and
- (e) the net amount of losses deducted in determining Consolidated Net Income resulting from the disposition of assets (excluding inventory); and

less to the extent included in the calculation of such Consolidated Net Income:

- (f) any extraordinary and non-recurring income and gains;
- (g) non-cash gains resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Borrower and its Subsidiaries for such period; and
- (h) all other non-cash gains added in determining Consolidated Net Income.

Consolidated EBITDA will be adjusted for acquisitions and 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 that is consistent with the foregoing and supported by such back-up information as the Lender may reasonably request and is otherwise satisfactory to the Lender, 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 leases, discounts and stamping fees payable in respect of bankers' acceptances and letters of credit, discounts in respect of any securitization programs and commitment or standby fees, and adjusted for the net amount paid or payable (or less the net amount received or receivable) under any hedging contracts in respect of such period.

**"Consolidated Net Income"** means, with respect to any Person for any period, the net revenue of such Person for such period on a consolidated basis, less all expenses and other charges not otherwise deducted in computing such net revenue for such period, determined in accordance with GAAP, but excluding extraordinary items as determined in accordance with GAAP, earnings resulting from any reappraisal, revaluation or other write-up of assets and gains arising from the repurchase of any equity security of such Person or any Subsidiary.

**"Consolidated Senior Debt"** means Consolidated Total Debt *minus* any subordinated debt.

**"Consolidated Senior Debt to EBITDA Ratio"** means, measured as at the end of each Fiscal Quarter, the ratio of Consolidated Senior Debt to Consolidated EBITDA for the 12 months ending on the last day of such Fiscal Quarter.

**“Consolidated Total Debt”** means all indebtedness which would, in accordance with GAAP, be classified upon a consolidated balance sheet of the Borrower as Debt 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 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 Debt of any other Person or the obligations of any other Person which would otherwise constitute Consolidated Senior 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 Debt 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 an Encumbrance on any of the assets of any of the Borrower and its Subsidiaries; and
- (e) all indebtedness representing the deferred purchase price of any property or services for a period in excess of 90 days, and all obligations created or arising under any conditional sales agreement or other title retention agreement (but excluding operating leases) or any capital lease, excluding, in any event Convertible Debentures and Deeply Subordinated Debt.

**“Consolidated Total Debt to EBITDA Ratio”** means, measured at the end of each Fiscal Quarter, the ratio of Consolidated Total Debt to Consolidated EBITDA for the 12 months ending on the last day of such Fiscal Quarter starting with the first Fiscal Quarter after the Closing Date.

**“Contingent Obligation”** means, with respect to any Person, any obligation, whether secured or unsecured, of such Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the “primary obligations”) of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including any obligation of such Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by the primary obligor of any such primary obligation and any obligations of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect of such primary obligation;



provided, however, that the term Contingent Obligation does not include endorsements of instruments for deposit or collection in the ordinary course of business.

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “**Controlling**” and “**Controlled**” have corresponding meanings.

“**Convertible Debentures**” means (i) the convertible subordinated debentures issued by the Borrower and held by the Guarantor and (ii) any unsecured convertible subordinated debentures or notes issued (or assumed) by the Borrower which have all of the following characteristics:

- (a) a final maturity or due date in respect of repayment of principal extending beyond the Non-Revolving Term Facility Maturity Date in effect at the time such debentures or notes are created, incurred, assumed or guaranteed;
- (b) no scheduled or mandatory payment or repurchase of principal thereunder (other than acceleration following an event of default in regard thereto or payments which can be satisfied by the delivery of securities of the Borrower as contemplated in (f) below and other than on a change of control of the Borrower where a Change of Control also occurs by reason of the definition thereof in this Agreement) prior to the Non-Revolving Term Facility Maturity Date in effect at the time such debentures or notes are created, incurred, assumed or guaranteed;
- (c) upon and during the continuance of an Event of Default or acceleration of the time for repayment of any of the Obligations under this Agreement which has not been rescinded, (i) all amounts payable in respect of principal, premium (if any) or interest under such debentures or notes are subordinate and junior in right of payment to all such Obligations and (ii) no enforcement steps or enforcement proceedings may be commenced in respect of such debentures or notes;
- (d) upon distribution of the assets of the Borrower on any dissolution, winding up, total liquidation or reorganization of Borrower (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such Person, or otherwise), all Debt under this Agreement shall first be paid in full, or provisions made for such payment, before any payment is made on account of principal, premium (if any) or interest payable in regard to such debentures or notes;
- (e) the occurrence of a Default or Event of Default hereunder or the acceleration of the time for repayment of any of the Debt under this Agreement or enforcement of the rights and remedies of the Lender hereunder or under any other Document shall not in and of themselves:
  - (i) cause a default or event of default (with the passage of time or otherwise) under such debentures or notes or the indenture governing the same; or
  - (ii) cause or permit the obligations under such debentures or notes to be due and payable prior to the stated maturity thereof;

provided however that, notwithstanding the foregoing provisions of subparagraph (e), (but, for certainty, without limiting or affecting in any manner whatsoever the provisions of this definition), such debentures or notes and the indenture or agreement governing the same may provide that an event of default under another indenture, agreement or instrument evidencing Debt of a Restricted Party which has resulted in:

- (A) Debt thereunder in excess of Cdn. \$20,000,000 (or the equivalent amount in any other currency) being accelerated; and
- (B) the holders of such Debt being entitled to commence, and such holders having commenced, the enforcement of the security they hold for such Debt (if any) or the exercise of any other creditors' remedies to collect such Debt,

may constitute an "event of default" under and as defined in such debentures or notes and indenture or agreement governing the same; and

- (f) payments of interest or principal due and payable under such debentures or notes can be satisfied, at the option of the Borrower, by delivering voting Securities of the Borrower in accordance with the indenture or agreement governing such debentures or notes (whether such voting Securities of the Borrower is received by the holders of such debentures or notes as payment or are sold by a trustee or representative under such indenture or agreement to provide cash for payment to holders of such debentures or notes) and provided no default or event of default has occurred and is continuing under any such indenture or agreement.

"CFPOA" means The Corruption of Foreign Officials Act (Canada).

"Credit Facilities" means the Revolving Term Facility and the Non-Revolving Term Facility and "Credit Facility" means either of them.

"Debt" means, with respect to any Person, all obligations that, in accordance with GAAP, would then be classified as a liability of such Person, and, without duplication, includes, with respect to such Person,

- (i) an obligation in respect of borrowed money or for the deferred purchase price of Property or services or an obligation that is evidenced by a note, bond, debenture or any other similar instrument;
- (ii) a transfer with recourse or with an obligation to repurchase, to the extent of the liability of such Person with respect thereto;
- (iii) an obligation under a Capital Lease;
- (iv) an obligation under a residual value guarantee made with respect to an operating lease in which such Person is the lessee;

- (v) a reimbursement obligation or other obligation in connection with a bankers' acceptance or any similar instrument, or letter of credit or letter of guarantee issued by or for the account of such Person;
- (vi) a Contingent Obligation to the extent that the primary obligation so guaranteed would be classified as "Debt" (within the meaning of this definition) of such Person; or
- (vii) the aggregate amount at which any shares of such Person that are redeemable or retractable at the option of the holder of such shares (except where the holder is such Person) may be redeemed or retracted prior to the Non-Revolving Term Facility Maturity Date for cash or obligations constituting Debt or any combination thereof;

provided, however, that there will not be included for the purpose of this definition any obligation that is on account of (A) reserves for deferred income taxes or general contingencies, (B) minority interests in Subsidiaries, or (C) accounts payable and accrued liabilities (including contract loans and income taxes payable) incurred in the ordinary course of business.

**"Debt to Capitalization Ratio"** means, with respect to the Borrower on a consolidated basis, the ratio calculated at the end of a fiscal quarter obtained by dividing (i) the Debt of the Borrower as at such time, by (ii) the Capitalization of the Borrower as at such time.

**"Deeply Subordinated Loan"** means any indebtedness of the Borrower to Calgary Sinoenergy Investment Corp. or any Affiliate thereof in respect of which the holder thereof has entered into a subordination and postponement agreement in favour of the Lender in form and in substance satisfactory to the Lender, acting reasonably and which shall provide (among other things) that:

- (i) upon notice of the occurrence and continuance of an Event of Default hereunder, the holder of such indebtedness may not receive payments on account of principal;
- (ii) no security may be held in respect of such indebtedness (except for any such security that may be subordinated to the Security on terms satisfactory to the Lender, acting reasonably); and
- (iii) the holder of such indebtedness may not take any enforcement action in respect of any such loan without the prior written consent of the Lender (except to the extent, if any, expressly permitted therein).

**"Default"** means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both.

**"Depreciation Expense"** means, for any period with respect to any Person, depreciation, amortization, depletion and other like reductions to income of such Person for such period not involving any outlay of cash.

**"Disposition"** means, with respect to a Person, any sale, assignment, transfer, conveyance, lease, licence or other disposition of any nature or kind whatsoever of any Property or of any right, title



or interest in or to any Property that is out of the ordinary course of business of such Person, and the verb “Dispose” has a corresponding meaning.

“**Distribution**” means (i) any payment, declaration of dividend or other distribution, whether in cash or Property, (but expressly excluding any distribution by way of the payment of dividends by the issuance of equity securities of an issuer) to any holder of shares of any class of the Borrower or any other Restricted Party, or (ii) any repurchase, redemption, retraction or other retirement or purchase for cancellation of shares of the Borrower or any other Restricted Party, or of any options, warrants or other rights to acquire any of such shares.

“**Documentation**” means all systems, user, technical or other documentation or information (including any input or output formats, program listings, narrative descriptions, operating instructions or manuals, specifications, user guides and systems, user or technical manuals) that have been, are or may be provided in connection with software and includes any corrections, replacements, modifications or releases thereof or thereto, whether distributed in print, magnetic, electronic, video or other format.

“**Draft**” has the meaning set out in Section 5.01.

“**Drawdown**” means:

- (i) the advance of a CDOR Loan; or
- (ii) the issue of one or more Letters of Credit.

“**Drawdown Date**” means the date on which a Drawdown is made by the Borrower pursuant to the provisions hereof.

“**Drawdown Notice**” means a notice, substantially in the form set out in Schedule 1.01(C), to be given to the Lender by the Borrower pursuant to Section 2.06.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Encumbrance**” means, with respect to any Person, any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, hypothecation or security interest granted or permitted by such Person or arising by operation of law, in respect of any of such Person’s Property, or any

consignment by way of security or Capital Lease of Property by such Person as consignee or lessee, as the case may be, or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or other obligation, and **“Encumbrances”**, **“Encumbrancer”**, **“Encumber”** and **“Encumbered”** have corresponding meanings.

**“Environmental Certificate”** means the certificate required pursuant to Section 9.03(3), substantially in the form attached as Schedule 1.01(B), signed by any one of the President, a Senior Vice-President or the Chief Operating Officer of the Borrower.

**“Environmental Law”** means any Applicable Law relating to the environment including those pertaining to:

- (i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and
- (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

**“Equity”** means, with respect to any Person at any time, the aggregate of all common, preferred and other share capital (other than all shares of, or partnership units in, the Person that are redeemable or retractable at the option of any Person (other than the Person in respect of whom a determination of the Equity of such Person is being made)) in, and all warrants of, that Person that would be reflected as equity on the balance sheet of that Person at that time, together with retained earnings and contributed surplus of that Person, that would be reflected on the balance sheet of that Person at that time.

**“Equivalent Amount”** means, on any day, the equivalent amount in Canadian Dollars or United States Dollars, as the case may be, after giving effect to a conversion of a specified amount of United States Dollars to Canadian Dollars or of Canadian Dollars to United States Dollars, as the case may be, at the official noon rate of exchange published by the Bank of Canada for the day in question for the conversion of United States Dollars to Canadian Dollars or at the rate that is the reciprocal thereof for the conversion of Canadian Dollars to United States Dollars, as the case may be, or, if such rate is not so published by the Bank of Canada for any such day, then at the spot rate quoted by the Lender at approximately noon (Toronto time) on that day in accordance with its normal practice for the applicable currency conversion in the wholesale market.

**“Event of Default”** has the meaning set out in Section 11.01.

**“Excluded Taxes”** means, with respect to the Lender, (i) taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which its lending office is located, and (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which the Lender is located.

**“FCPA”** means the U.S. Foreign Corrupt Practices Act, as amended from time to time.

**“Final Maturity Date”** means with respect to the Non-Revolving Term Facility, the Non-Revolving Term Facility Maturity Date.

**“Financial Assistance”** means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of or having the effect of providing financial assistance to another Person or Persons, including letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection therewith, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery thereof and obligations to make advances or otherwise provide financial assistance to any other Person.

**“Fiscal Quarter”** means any fiscal quarter of the Borrower.

**“GAAP”** means those accounting principles that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute.

**“Governmental Authority”** means the government of Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, the Superintendent of Financial Institutions or other comparable authority or agency.

**“Guarantor”** means Calgary Sinoenergy Investment Corp.

**“Hazardous Substance”** means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws, including pollutants, contaminants, dangerous goods or substances, toxic or hazardous substances or materials, wastes (including solid non-hazardous wastes and subject wastes), petroleum and its derivatives and by-products and other hydrocarbons, all as defined in or pursuant to any Environmental Law.

**“Hedge Arrangement”** means, with respect to any Person, any arrangement or transaction between such Person and any other Person other than another Restricted Party that is a rate swap transaction, basis swap, forward rate transaction, commodity swap, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations but excluding any physical commodity hedge arrangements.

**“Indemnified Taxes”** means Taxes other than Excluded Taxes.

**“Intellectual Property”** means any and all intellectual and industrial property, whether recorded or not and regardless of form or method of recording, including all works in which copyright subsists or may subsist (such as computer software), data bases (whether or not protected by copyright), designs, documentation, manuals, specifications, industrial designs, trade secrets, confidential information, ideas, concepts, know-how, trade marks, service marks, trade names, domain names, discoveries, inventions, formulae, recipes, product formulations, processes and

processing methods, technology and techniques, improvements and modifications, integrated circuit topographies and mask works.

**“Intellectual Property Rights”** includes all intellectual and industrial and other proprietary rights in any Intellectual Property.

**“Interest Coverage Ratio”** means as at the date of determination the ratio of (a) Consolidated EBITDA for the four immediately preceding Fiscal Quarters to (b) Consolidated Interest Expense for such four Fiscal Quarters.

**“Interest Payment Date”** means, with respect to each CDOR Loan, the first Business Day of each Fiscal Quarter.

**“Interest Period”** means in connection with a CDOR Loan, an interest period of three months (i) initially, commencing on the Closing Date or Rollover thereof, as the case may be; and (ii) thereafter, commencing on the day on which the immediately preceding Interest Period expires; provided that in any case the last day of each Interest Period will be also the first day of the next Interest Period and further provided that the last day of each Interest Period will be a Business Day. If the last day of an Interest Period selected by the Borrower is not a Business Day the Borrower will be deemed to have selected an Interest Period the last day of which is the Business Day next following the last day of the Interest Period otherwise selected unless such next following Business Day falls in the next calendar month in which event the Borrower will be deemed to have selected an Interest Period the last day of which is the Business Day immediately preceding the last day of the Interest Period otherwise selected and further provided that the last Interest Period hereunder must expire on or prior to the Final Maturity Date.

**“Investment”** in any Person means any direct or indirect (i) acquisition of any shares, partnership interests, participation interests in any arrangement, options or warrants, or any indebtedness, whether or not evidenced by any bond, debenture or other written evidence of such Person, or (ii) acquisition, by purchase or otherwise, of all or substantially all of the business, assets or stock or other evidence of beneficial ownership of such Person. The amount of any Investment will be the original cost of such Investment, plus the cost of all additions thereto and minus the amount of any portion of such Investment repaid to such Person in cash as a return of capital, or repayment of the principal amount of indebtedness, as the case may be, but without any other adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment. In determining the amount of any Investment involving a transfer of any Property other than cash, such Property will be valued at its fair market value at the time of such transfer.

**“Judgment Conversion Date”** has the meaning set out in Section 14.03(1).

**“Judgment Currency”** has the meaning set out in Section 14.03(1).

**“LC Provider”** means the China Construction Bank, Qingdao Branch as issuer of the SBLCs.

**“LC Security”** means the security granted by the Borrower and the Guarantor, by way of assignment described herein, for the guarantee and issuance of SBLCs.

**“Lender’s Counsel”** means such legal counsel as the Lender may from time to time designate.



**“Lending Office”** means the office of the Lender located at 3650-181 Bay Street, Toronto, Ontario M5J 2T3, or at such other office as the Lender may designate in writing.

**“Letter of Credit”** means a standby letter of credit or a commercial letter of credit issued or deemed to be issued pursuant to the Revolving Term Facility at the request and for the account of the Borrower.

**“Letter of Credit Fee Rate”** means, for any period, with respect to a Letter of Credit, the percentage rate *per annum* applicable to that period as as advised by the lender from time to time as the then applicable rate for the issuance of letters of credit which for clarity applies to the lender issued letters of credit and not the SBLC.

**“Loan”** means any extension of credit by the Lender under this Agreement.

**“Loan Documents”** means (a) this Agreement, (b) the Security, and (c) all present and future agreements, documents, certificates and instruments delivered by any Restricted Party to the Lender pursuant to or in respect of this Agreement or the Security, in each case as the same may from time to time be amended, and **“Loan Document”** means any one of the Loan Documents.

**“Material Adverse Change”** or **“Material Adverse Effect”** means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower to pay its Obligations, or perform any of its other material obligations under the Loan Documents, or (c) the legality, validity or enforceability of any of the Loan Documents or the rights or remedies of the Lender thereunder.

**“Material Licences”** means all licences, permits or approvals issued by any Governmental Authority, or any applicable stock exchange or securities commission, to any Restricted Party, and which are at any time on or after the date of this Agreement,

- (i) necessary or material to the business and operations of such Restricted Party or to the listing of its securities, the breach or default of which would result in a Material Adverse Change, or
- (ii) designated by the Lender, in the sole discretion of the Lender, as a Material Licence, provided that the Lender has notified the Borrower of such designation.

**“Net Proceeds”** means, with respect to any Disposition, the aggregate fair market value of proceeds of such Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, bona fide direct transaction costs and expenses incurred in connection with such Disposition, including (i) reasonable legal fees and disbursements, the customary fees of agents or brokers payable in connection with such Disposition within one year of such Disposition and title and recording expenses payable in connection with such Disposition, and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Debt that is secured by a Permitted Encumbrance, if any, on any of the Property that is the subject matter of such Disposition ranking in priority to the Encumbrance of the Security and that is required to be repaid under the terms of such Debt as a result of such Disposition.

“**Non-Revolving Term Facility**” has the meaning set out in Section 2.01(b).

“**Non-Revolving Term Facility Maturity Date**” has the meaning set out in Section 6.02.

“**Obligations**” means all obligations of the Restricted Parties, or any of them, to the Lender under or in connection with this Agreement or the other Loan Documents, including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Restricted Parties, or any of them, to the Lender and the obligation to reimburse the LC Provider for any payment on the guarantee or SBLC's, in any currency or remaining unpaid by the Restricted Parties, or any of them, to the Lender, under or in connection with this Agreement or the other Loan Documents, whether arising from dealings between the Lender and any of the Restricted Parties or from any other dealings or proceedings by which the Lender or LC Provider may be or become in any manner whatever a creditor of a Restricted Party pursuant to this Agreement or the other Loan Documents, and wherever incurred, and whether incurred by a Restricted Party alone or with another or others and whether as principal or surety, and all interest, fees, legal and other costs, charges and expenses relating thereto.

“**Organizational Documents**” means, with respect to any Person, such Person's articles, memorandum or other charter documents, partnership agreement, joint venture agreement, declaration of trust, trust agreement, by-laws, unanimous shareholder agreement, or any and all other similar agreements, documents and instruments pursuant to which such Person is constituted, organized or governed.

“**Other Taxes**” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“**Participant**” has the meaning set out in Section 14.07(1).

“**Pension Plan**” means (i) a “pension plan” or “plan” which is a “registered pension plan” as defined in the *Income Tax Act* (Canada) or is subject to the funding requirements of applicable pension benefits legislation in any Canadian jurisdiction and is applicable to employees resident in Canada of a Restricted Party, or (ii) any other pension benefit plan or similar arrangement applicable to employees of a Restricted Party.

“**Permitted Contest**” means action taken by or on behalf of a Restricted Party in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Encumbrance, provided that:

(a) the Person to which the Tax, claim or Encumbrance being contested is relevant (and, in the case of a Restricted Party, the Borrower on a consolidated basis) has established adequate reserves therefor if and to the extent required by GAAP; and

(b) proceeding with such contest does not have, and could not reasonably be expected to have, a Material Adverse Effect.

“**Permitted Debt**” means:

- (i) Debt under this Agreement or any of the Loan Documents;
- (ii) any other Debt of a Restricted Party secured by Permitted Encumbrances;
- (iii) Debt in respect of Purchase Money Security Interests or Capital Leases granted by a Restricted Party in an amount not to exceed Cdn. \$5,000,000 in the aggregate; and
- (iv) any Debt owing by one Restricted Party to another Restricted Party;
- (v) Deeply Subordinated Loans; and
- (vi) Any Debt in respect of the Convertible Debentures.

**“Permitted Distributions”** means any Distribution:

- (i) by a Restricted Party to another Restricted Party who owns the shares or other units or Debt thereof;
- (ii) payable only in common shares of the Borrower; and
- (iii) to any shareholder or Affiliate of a shareholder of the Borrower in its capacity as a holder of Convertible Debentures, to the extent any such payment is otherwise permitted hereunder.

**“Permitted Encumbrances”** means, with respect to any Person, the following:

- (i) undetermined or inchoate Encumbrances arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to any Applicable Law against any Restricted Party or in respect of which no steps or proceedings to enforce such Encumbrance have been initiated or which relate to obligations which are not due or delinquent or if due or delinquent, any Encumbrance which a Restricted Party is contesting at the time by a Permitted Contest;
- (ii) Encumbrances 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 Encumbrances relate for any Restricted 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 Encumbrance which a Restricted Party is contesting at the time by a Permitted Contest;
- (iii) to the extent an Encumbrance 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 Restricted 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 Restricted 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;
- (iv) to the extent an Encumbrance is created thereby, farmout interests or overriding royalty interests, net profit interests, reversionary interests and carried interests in respect of any Restricted 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;
  - (v) Encumbrances for penalties arising under non-participation provisions of operating agreements in respect of any Restricted Party's P&NG Rights or any related facilities, if such Encumbrances could not reasonably be expected to have a Material Adverse Effect;
  - (vi) 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;
  - (vii) any Encumbrance or trust arising in connection with worker's compensation, employment insurance, pension and employment Requirement of Law, and if due or delinquent, the validity of which is contested at the time by a Permitted Contest;
  - (viii) 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;
  - (ix) 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;
  - (x) 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;
  - (xi) public and statutory Encumbrances not yet due and similar Encumbrances arising by operation of Law;
  - (xii) the Security;
  - (xiii) Encumbrances 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;



- (xiv) Encumbrances under or pursuant to any judgment rendered, or claim filed, against a Restricted Party, which such Restricted Party is contesting at the time by a Permitted Contest;
- (xv) Encumbrances 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 Restricted 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 Restricted Parties, taken as a whole;
- (xvi) bankers' liens, rights of set-off and other similar Encumbrances existing solely with respect to cash on deposit in one or more accounts maintained by the Restricted Parties, in each case, granted in the ordinary course of business in favour of a Lender with which such accounts are maintained, securing amounts owing to the Lender with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements;
- (xvii) 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 Restricted Party is a party;
- (xviii) Encumbrances in favour of a landlord of leased property in respect of the leasehold improvements made to, and other personal property of the tenant located on, such leased real property;
- (xix) any other Encumbrances (including Purchase Money Security Interest, Capital Leases, security for Hedge Arrangements, and sale-leasebacks) which are not otherwise Permitted Encumbrances; provided that the aggregate principal amount of Debt or other obligations secured thereby does not exceed Cdn. \$30,000,000 unless otherwise agreed to, such agreement not to be unreasonably withheld; and
- (xx) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Encumbrance referred to in the preceding paragraphs (i) to (x) inclusive of this definition, so long as any such extension, renewal or replacement of such Encumbrance is limited to all or any part of the same property that secured the Encumbrance extended, renewed or replaced (plus improvements on such property) and the Debt, liability or obligation secured thereby is not increased.
- (xxi) any Encumbrance described in Schedule 1.01(E);
- (xxii) any Encumbrance in respect of the Deeply Subordinated Loans or any Convertible Debenture held by the Guarantor; and
- (xxiii) such other Encumbrances as are agreed to in writing by the Lender.

**“Person”** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other 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 Restricted Party at such time in and to any, or such as are stipulated, of the following, by whatever name the same are known:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) rights of any Restricted 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
- (v) rights to acquire any of the above rights described in paragraphs (i) through (iv) 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.

**“Property”** means, with respect to any Person, all or any portion of that Person’s undertaking and property, both real and personal.

**“Purchase Money Security Interest”** means an Encumbrance created or incurred by a Restricted Party securing Debt incurred to finance the acquisition of Property (including the cost of installation thereof), provided that (i) such Encumbrance is created substantially simultaneously with the acquisition of such Property, (ii) such Encumbrance does not at any time encumber any Property other than the Property financed by such Debt, (iii) the amount of Debt secured thereby is not increased subsequent to such acquisition, and (iv) the principal amount of Debt secured by any such Encumbrance at no time exceeds 100% of the original purchase price of such Property and the cost of installation thereof, and for the purposes of this definition the term “acquisition” includes a Capital Lease.

**“Related Parties”** means, with respect to any Person, such Person’s Affiliates and the directors, officers, employees, agents and advisors of such Person or of such Person’s Affiliates.

**“Release”** means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

**“Relevant Jurisdiction”** means, from time to time, with respect to a Person that is granting Security hereunder, any province or territory of Canada, any state of the United States or any other country or political subdivision thereof in which such Person has its chief executive office or chief place of business or has Property and, for greater certainty, includes the provinces and states set out in Schedule 1.01(F).

**“Relevant Quarter”** has the meaning set out in Section 4.03(1).

**“Repayment Notice”** means the notice substantially in the form set out in Schedule 1.01(G).

**“Requirements of Environmental Law”** means all requirements of the common law or of statutes, regulations, by-laws, ordinances, treaties, judgments and decrees, and (to the extent that they have the force of law) rules, policies, guidelines, orders, approvals, notices, permits, directives, and the like, of any federal, territorial, provincial, state, regional, municipal or local judicial, regulatory or administrative agency, board or governmental authority in Canada, the United States and any other jurisdiction in which any Restricted Party has operations or assets relating to environmental or occupational health and safety matters (as they relate to exposure to a Hazardous Substance) and the assets and undertaking of any Restricted Party and the intended uses thereof in connection with such matters, including all such requirements relating to: (a) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater); (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (c) consumer, occupational or public safety and health (as they relate to exposure to a Hazardous Substance); and (d) Hazardous Substances or conditions (matters that are prohibited, controlled or otherwise regulated, such as contaminants, pollutants, toxic substances, dangerous goods, wastes, hazardous wastes, liquid industrial wastes, hazardous materials, petroleum and other materials such as urea formaldehyde and polyurethane foam insulation, asbestos or asbestos-containing materials, polychlorinated biphenyls (PCBs) or PCB contaminated fluids or equipment, lead based paint, explosives, radioactive substances, petroleum and associated products, above ground and underground storage tanks or surface impoundments).

**“Requirements of Law”** means, with respect to any Person, the Organizational Documents of such Person and any Applicable Law or any determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its business or Property or to which such Person or any of its business or Property is subject.

**“Restricted Parties”** means the Borrower, the Guarantors and any person that hereafter becomes a Subsidiary of the Borrower, and their respective successors and assigns permitted by this Agreement, and **“Restricted Party”** means any one of them.

**“Revolving Period”** means, in relation to the Revolving Term Facility, the period commencing on the Closing Date and ending on the Current Revolving Term Facility Maturity Date.

**“Revolving Term Facility”** has the meaning set out in Section 2.01(a).

**“Revolving Term Facility Maturity Date”** has the meaning set out in Section 2.02.

**“Rollover”** means the extension of a CDOR Loan for an additional Interest Period.

**“Rollover Date”** means the date of commencement of a new Interest Period applicable to a CDOR Loan that is being rolled over.

**“Rollover Notice”** means the notice, substantially in the form set out in Schedule 1.01(H), to be given to the Lender by the Borrower in connection with the Rollover of a CDOR Loan.

**“SBLC”** means one or more guarantee/financial standby letters of credit issued by China Construction Bank Qingdao Branch, as guarantor in an aggregate total amount of no less than 105% of the Commitment to secure the Obligations as owing to the Lender.

**“Security”** means the documents creating an Encumbrance in favour of, or any collateral held from time to time by, the Lender and LC Provider securing or intended to secure repayment of the Obligations, including all security described in Article 10.

**“Subsidiary”** means, at any time, with respect to any Person, any other Person, if at such time the first mentioned Person (i) owns, directly or indirectly, securities or other ownership interests in such other Person, having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such other Person, and (ii) directly or indirectly, through the operation of any agreement or otherwise, the ability to elect or cause the election of a majority of the board of directors or other persons performing similar functions for such other Person or otherwise exercise control over the management and policies of such other Person, and in either case will include any other Person in like relationship to a Subsidiary of such first mentioned Person.

**“Taxes”** means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**“Total Interest Expense”** means, with respect to any Person for any period, without duplication, the aggregate amount of interest and other financing charges expensed by such Person on account of such period with respect to Debt, including interest, discount financing fees, commissions, discounts, the interest or time value of money component of costs related to factoring or securitizing receivables or monetizing inventory and other fees and charges payable with respect to letters of credit, letters of guarantee and bankers’ acceptance financing, standby fees, the interest component of Capital Leases and net payments (if any) pursuant to Hedge Arrangements involving interest, but excluding any amount, such as amortization of debt discount and expenses, that would qualify as Depreciation Expense and the amount reflected in Net Income for such period in respect of gains (or losses) attributable to translation of Debt from one currency to another currency, all as determined on a consolidated basis in accordance with GAAP.

**“Write-Down and Conversion Powers”** means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.



1.02 **Extended Meanings**

In this Agreement words importing the singular number include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing” and the term “third party” means any person other than a person a party to this Agreement.

1.03 **Accounting Principles**

All calculations for the purposes of determining compliance with the financial ratios and financial covenants contained in this Agreement will be made on a basis consistent with GAAP as it exists on the date of this Agreement and used in the preparation of the consolidated financial statements of the Borrower for its financial year ended December 31, 2016. In the event of a change in such GAAP, the Borrower and the Lender will negotiate in good faith to revise (if appropriate) such ratios and covenants to reflect GAAP as then in effect.

1.04 **Interest Calculations and Payments**

Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest “*per annum*” or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation and not the effective rate method of calculation or on any other basis that gives effect to the principle of deemed reinvestment of interest. Interest will continue to accrue after maturity and default and/or judgment, if any, until payment thereof, and interest will accrue on overdue interest, if any.

1.05 **Interest Act (Canada)**

For the purposes of this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other number of days in such period, as the case may be.

1.06 **Permitted Encumbrances**

The inclusion of reference to Permitted Encumbrances in any Loan Document is not intended to subordinate and will not subordinate, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.07 **Currency**

Unless otherwise specified in this Agreement, all references to currency (without further description) are to lawful money of Canada.

1.08 **Conflicts**

In the event of a conflict between the provisions of this Agreement and the provisions of any other Loan Document, then, unless such Loan Document or an acknowledgement from the Restricted Party and the Lender relative to such Loan Document expressly states that this Section 1.08 is not applicable to such Loan Document, notwithstanding anything else contained in such other Loan Document, the provisions of this Agreement will prevail and the provisions of such other Loan Document will be deemed to be amended to the extent necessary to eliminate such conflict.

1.09 **Schedules**

The following are the Schedules attached hereto and incorporated by reference and deemed to be part hereof:

Schedule A	-	Commitments
Schedule 1.01(A)	-	Compliance Certificate
Schedule 1.01(B)	-	Environmental Certificate
Schedule 1.01(C)	-	Drawdown Notice
Schedule 1.01(E)	-	Additional Permitted Encumbrances
Schedule 1.01(F)	-	Relevant Jurisdictions
Schedule 1.01(G)	-	Repayment Notice
Schedule 1.01(H)	-	Rollover Notice
Schedule 8.01(17)	-	Ownership Structure
Schedule 8.01(21)	-	Intellectual Property Rights
Schedule 8.01(25)	-	Pension Plan Disclosure

**ARTICLE 2 - THE CREDIT FACILITIES**

2.01 **Borrower Facilities**

Subject to the terms and conditions of this Agreement, the Lender establishes in favour of the Borrower:

- (a) a revolving term facility (the “**Revolving Term Facility**”) in an amount up to Cdn. \$35,000,000, which facility will be available only during the Revolving Period; and
- (b) a non-revolving term facility (the “**Non-Revolving Term Facility**”) in an amount up to Cdn. \$396,000,000, which facility will be made available by a single advance on the first Drawdown Date.

Provided it is intended that further facilities will be made available from time to time, such to be added to the facilities hereunder by amendment to this Agreement, and such will form Obligations for all purposes of this Agreement.

2.02 **Terms and Extension of the Revolving Term Facility**

The Revolving Term Facility will be advanced, repaid and readvanced during the term from the date of first advance pursuant to this Agreement to the expiry date expressed hereafter. The Revolving Term Facility will be required to revolve in the ordinary course by advance and repayment as provided in Section 2.05 based upon the advance process. The Revolving Term Facility will expire on January 31, 2024 unless extended by the Lender in its sole discretion at the request of the Borrower for a further period of 364 days in accordance with this Section 2.02. Such expiry date, as extended from time to time in accordance with this Section 2.02, is referred to herein as the “**Revolving Term Facility Maturity Date**”. If the Borrower wishes to extend the Revolving Term Facility Maturity Date, the Borrower will deliver to the Lender, at least 60 but not more than 90 days in advance of any Revolving Term Facility Maturity Date (the “**Current Revolving Term Facility Maturity Date**”), a notice in which the Borrower requests the Lender to extend the Revolving Term Facility for an additional 364 day period after the Current Revolving Term Facility Maturity Date. The Lender must provide notice to the Borrower, not more than 30 days after receipt of such notice from the Borrower either (a) that it wishes to make an irrevocable offer to the Borrower (which may be accepted within the time and on the terms set out in such offer and with effect on the Current Revolving Term Facility Maturity Date) to extend the Revolving Term Facility for an additional 364 day period, with effect from the Current Revolving Term Facility Maturity Date, or (b) that it declines to approve the requested extension. If the Lender makes an offer to the Borrower that is not accepted by the Borrower, the Borrower will repay all amounts outstanding under the Revolving Term Facility on the Revolving Term Facility Maturity Date.

2.03 **Non-Revolving Term Facility**

The Non-Revolving Term Facility will be advanced as a single advance on the Closing Date. The Non-Revolving Term Facility will be interest only until the second anniversary of advance. Commencing with the second anniversary of the date of advance, the Non-Revolving Term Facility will be repaid in quarterly instalments of principal at the end of each Fiscal Quarter based upon a seven year amortization, on a straight line basis, with the balance then remaining to be paid on the seventh anniversary of the date of advance in full; the requirement to complete repayment on the seventh anniversary is subject to the ability of the Borrower and the Lender to mutually agree to extend the term for a further two year period with the remaining balance to be repaid in equal, straight line, monthly instalments over the period of such two year agreed extension, with any outstanding balance to be repaid in full on the ninth anniversary of the date of advance.

2.04 **Purpose of Credit Facilities**

Loans under the Credit Facilities will only be used for the following respective purposes:

- (a) under the Revolving Term Facility, for working capital and general corporate requirements of the Borrower, and

- (b) under the Non-Revolving Term Facility for repayment of the syndicated facility led by The Bank of Nova Scotia in the principal amount of \$396,000,000.

2.05 **Manner of Borrowing**

(1) The Borrower may in Canadian Dollars, make Drawdowns and may make Rollovers under the Revolving Term Facility by way of CDOR Loans and Letters of Credit.

(2) The Borrower may, in Canadian Dollars, make a single Drawdown under the Non-Revolving Term Facility by way of a CDOR Loan.

2.06 **Revolving Nature of Revolving Term Facility**

Subject to the terms and conditions hereof, the Borrower may increase or decrease the amount of Obligations outstanding under the Revolving Term Facility by making Drawdowns, repayments and further Drawdowns up to the available amount of the Revolving Term Facility. The Revolving Term Facility will have, as a subfacility, available for advance as Letters of Credit and corporate credit cards a sublimit of \$15,000,000, such that the Revolving Term Facility will be available to the stated commitment hereunder, with a sublimit of up to \$15,000,000 available for advance by way of issuance of Letter of Credit and corporate credit cards.

2.07 **Drawdowns and Rollovers**

(1) The Borrower must give the Lender a Drawdown Notice or Rollover Notice of two Business Days prior to the proposed Drawdown Date or Rollover Date, as the case may be for advances less than \$5,000,000 and 5 Business Days for advances in excess of \$5,000,000. A Drawdown Date and Rollover Date must be a Business Day.

(2) Each Drawdown Notice or Rollover Notice, as the case may be, must be delivered to the Lender by the Borrower on or prior to 1:00 p.m. (Toronto time) on a Business Day.

(3) Each Drawdown or Rollover must, in the case of CDOR Loans, be in a minimum face amount of Cdn. \$1,000,000 and increments of Cdn. \$100,000.

2.08 **Irrevocability**

Each Drawdown Notice and Rollover Notice given by the Borrower hereunder is irrevocable and will oblige the Borrower to take the action contemplated on the date specified therein.

2.09 **Increase, Cancellation or Reduction of Revolving Term Facility**

The Borrower may, at any time, upon giving at least two Business Days' prior notice to the Lender, cancel in full or, from time to time, reduce in part the Revolving Term Facility; provided, however, that any reduction will be in a minimum amount of Cdn. \$500,000 and increments of Cdn. \$100,000. If as a result of such reduction the aggregate amount of Loans outstanding under the Revolving Term Facility exceeds the Commitment of the Lender thereunder, the Borrower will, upon notice from the Lender, repay Loans in an aggregate amount



equal to such excess. The Borrower will not be entitled to cancel the Revolving Term Facility, or reduce it, if the result would be to have available a Revolving Term Facility less than the then issued and outstanding Letters of Credit.

2.10 Account of Record

The Lender will open and maintain books of account evidencing all Loans and all other amounts owing by the Borrower to the Lender hereunder. The Lender will enter in the foregoing accounts details of all amounts from time to time owing, paid or repaid by the Borrower hereunder. The information entered in the foregoing accounts will constitute prima facie evidence of the obligations of the Borrower to the Lender hereunder with respect to all Loans and all other amounts owing by the Borrower to the Lender hereunder. After a request by the Borrower, the Lender will promptly advise the Borrower of such entries made in the Lender's books of account.

2.11 Termination of CDOR Loans

(1) If at any time the Lender determines, acting reasonably, (which determination will be conclusive and binding on the Borrower) that:

- (a) the CDOR for an existing CDOR Loan does not adequately reflect the effective cost to the Lender of maintaining such CDOR Loan, or
- (b) it cannot readily retain funds in order to maintain any CDOR Loan for the balance of the applicable Interest Period or cannot otherwise perform its obligations hereunder with respect to any CDOR Loan for the balance of the applicable Interest Period,

then the Lender will inform the Borrower and upon at least four Business Days' written notice by the Lender to the Borrower, the Borrower will, at its option, either repay the CDOR Loan to that Lender or convert the CDOR Loan into one or more other forms of Loans that are then made available by the Lender, and the Borrower will not be responsible for any loss or expense that the Lender incurs as a result, including breakage costs, notwithstanding that such repayment does not occur on the last day of an Interest Period.

**ARTICLE 3- DISBURSEMENT CONDITIONS**

3.01 Conditions Precedent to First Advance

The obligation of the Lender to make the first advance hereunder by way of a Loan is subject to and conditional upon the prior satisfaction of the following conditions precedent:

- (a) the Lender will have received a Drawdown Notice as required under Sections 2.06(2) and (3);
- (b) the Lender will have received certified copies of the Organizational Documents of each Restricted Party, the resolutions authorizing the execution and delivery of, and performance of each Restricted Party's respective obligations under, the Loan Documents and the transactions contemplated herein, and a certificate as to the

incumbency of the officers of the Restricted Parties executing the Loan Documents and any other documents to be provided pursuant to the provisions hereof;

- (c) except as otherwise agreed by the Lender, certificates of status or comparable certificates for all Relevant Jurisdictions of each Restricted Party will have been delivered to the Lender;
- (d) the Lender will have completed its due diligence with respect to the Restricted Parties, including a review of
  - (i) the most recent financial statements of the Restricted Parties; andand the results of such due diligence will be satisfactory to the Lender in its sole discretion;
- (e) except as otherwise agreed by the Lender, the Lender will have received certified copies of all shareholder, regulatory, governmental and other approvals required in order for the Borrower to enter into this Agreement and to perform its obligations hereunder;
- (f) releases, discharges and postponements that are required in the discretion of the Lender (in registerable form where necessary) with respect to all Encumbrances affecting the collateral Encumbered by the Security that are not Permitted Encumbrances, if any, will have been delivered to the Lender;
- (g) the Lender will have received payment of all fees payable to the Lender that are due and payable at such time;
- (h) duly executed copies of the Security will have been delivered to the Lender, certificates representing all shares or other securities pledged (along with stock powers duly executed in blank) by the Restricted Parties will have been delivered to the Lender and all such Security will have been duly registered, filed and recorded in all Relevant Jurisdictions where required by Applicable Law or where the Lender considers it necessary, in its sole discretion, to do so;
- (i) a currently dated letter of opinion of Borrower's Counsel as to such matters and in such form as Lender's Counsel deems appropriate addressed to the Lender and to Lender's Counsel will have been delivered to the Lender;
- (j) currently dated letters of opinion of local counsel for the Borrower as to such matters and in such form as Lender's Counsel deems appropriate addressed to the Lender and to Lender's Counsel will have been delivered to the Lender;
- (k) a currently dated letter of opinion of Lender's Counsel as to such matters as the Lender may stipulate addressed to the Lender will have been delivered to the Lender;

- (l) the Restricted Parties will have delivered to the Lender certificates of insurance acceptable to the Lender showing the Lender as a loss payee as its interest may appear on all insurance policies that insure the assets to be secured by the Security;
- (m) the Lender will have received (i) satisfactory audited consolidated financial statements of the Borrower for the two most recent fiscal years ended prior to the Closing Date to the extent available; (ii) satisfactory unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to subclause (i) of this paragraph to the extent available; and
- (n) the Lender will have received the SBLC in the amount of 105% of the advance,

provided that all documents delivered pursuant to this Section 3.01 must be in full force and effect, and in form and substance satisfactory to the Lender, acting reasonably.

### 3.02 Conditions Precedent to all Advances

The obligation of the Lender to make any advance hereunder by way of a Loan is subject to and conditional upon the prior satisfaction of the following additional conditions precedent:

- (a) the Lender will have received a Drawdown Notice as required under Sections 2.06(2) and 2.06(3);
- (b) the representations and warranties deemed to be repeated pursuant to Section 8.02 will continue to be true and correct in all material respects as of the Drawdown Date;
- (c) no Default or Event of Default will have occurred and be continuing on the Drawdown Date, or would result from making the requested advance; and
- (d) all other terms and conditions of this Agreement upon which the Borrower may obtain a Loan that have not been waived will have been fulfilled.

### 3.03 Waiver

The conditions set forth in Sections 3.01 and 3.02 are inserted for the sole benefit of the Lender and may be waived by the Lender, in whole or in part (with or without terms or conditions), in respect of any Drawdown without prejudicing the right of the Lender at any time to assert such conditions in respect of any subsequent Drawdown.

**ARTICLE 4 - PAYMENTS OF INTEREST  
AND STANDBY FEES**

4.01 **Interest on CDOR Loans**

The Borrower will pay interest on each CDOR Loan during each Interest Period applicable thereto in Canadian Dollars at a rate *per annum* equal to the sum of (a) CDOR plus (b) the CDOR Margin in effect, in each case, from time to time during such Interest Period. Each determination by the Lender of the CDOR and the CDOR Margin applicable from time to time during an Interest Period will, in the absence of manifest error, be binding upon the Borrower. Such interest will be payable in arrears on each Interest Payment Date for such Loan for the period from and including the Drawdown Date, Rollover Date or preceding Interest Payment Date, as the case may be, for such Loan to but excluding such Interest Payment Date and will be calculated on the principal amount of the CDOR Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Changes in the CDOR and, the CDOR Margin will cause an immediate adjustment of the interest rate applicable to such Loan without the necessity of any notice to the Borrower.

4.02 **Standby Fees**

The Borrower will pay to the Lender a standby fee in Canadian Dollars calculated at the rate *per annum* specified as the applicable "Standby Fee Rate" in the applicable table contained in the definition of "Applicable Margin" on the daily unadvanced portion of the Revolving Term Facility during each fiscal quarter. The standby fee will be determined daily beginning on the date hereof and will be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and will be payable by the Borrower quarterly in arrears on the first Business Day following the end of each quarter.

4.03 **Structuring and Management Fee**

In consideration of the Lender structuring the Credit Facilities, the Borrower will pay to the Lender a structuring fee in an amount, and on the terms and conditions, agreed to in writing by the Lender (or any of its Affiliates) and the Borrower (or any of its Affiliates). All such written arrangements will constitute Loan Documents. In consideration of the Lender managing the Credit Facilities, the Borrower will pay to the Lender a management fee in an amount equal to 15 bps (.15%) of the committed amount (initially \$431,000,000 Cdn.) payable quarterly in arrears at the same time as the interest payments due hereunder.

4.04 **Maximum Rate of Interest**

Notwithstanding anything contained herein to the contrary, the Borrower will not be obliged to make any payment of interest or other amounts payable to the Lender hereunder in excess of the amount or rate that would be permitted by Applicable Law or would result in the receipt by the Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)). If the making of any payment by the Borrower would result in a payment being made that is in excess of such amount or rate, the Lender will determine the payment or payments that are to be reduced or refunded, as the case may be, so that such result does not occur.

4.05 **CDOR Not Available**

In the event that, at any time, the Lender does not offer loans based on CDOR, the Lender will provide to the Borrower notice of the alternative reference rates on which the Lender may make loans, together with the margin which would be applicable thereon, and, upon mutual agreement of the Borrower and the Lender such rate of interest will be incorporated under the terms of this Agreement, by amendment to this Agreement, and thereafter, such additional rate of interest will be available for the advance of loans by the Lender to the Borrower.

**ARTICLE 5 - LETTERS OF CREDIT**

5.01 **Letters of Credit**

(1) If the Borrower wishes to request that a Letter of Credit be issued under the Revolving Term Facility, the Borrower will, at the time it delivers a Drawdown Notice pursuant to Section 2.05, execute and deliver to the Lender the Lender's usual documentation relating to the issuance and administration of letters of credit. In the event of any inconsistency between the terms of such documentation and this Agreement, the terms of this Agreement will prevail. Specifically, the Lender has agreed, as at the date of first advance, to provide a Letter of Credit to the existing Letter of Credit provider, The Bank of Nova Scotia, in the amount, and on terms, as agreed between the Lender and The Bank of Nova Scotia, such to provide security to The Bank of Nova Scotia for the Letters of Credit issued at the request of the Borrower, then outstanding. The issuance of such Letters of Credit will be subject to the terms of the agreement among the Borrower, The Bank of Nova Scotia and the Lender. The issuance of such Letters of Credit will constitute the issuance of Letters of Credit pursuant to the terms of this Agreement.

(2) Each Letter of Credit will be in a form and on such terms as determined by the Lender in its sole and unfettered discretion.

(3) No Letter of Credit may be issued for a period in excess of 364 days or beyond the Revolving Term Facility Maturity Date.

(4) If, at any time, a demand for payment is made under any Letter of Credit, the Borrower will be deemed to have requested a CDOR Loan in an amount equal to the sum of the amount demanded from the Lender under the Letter of Credit and all charges and expenses incurred by the Lender in connection with payment under the Letter of Credit.

(5) The Borrower hereby undertakes to indemnify and hold harmless the Lender from and against all liabilities and costs (including any costs incurred in funding any amount that falls due from the Lender under any Letter of Credit hereunder) to the extent that such liabilities and costs are not satisfied or compensated by the payment of interest on sums due pursuant to this Agreement in connection with any Letter of Credit except where such liabilities or costs result from the gross negligence or wilful misconduct of the Person claiming indemnification.

(6) The Lender will at all times be entitled, and is irrevocably authorized by the Borrower, to make any payment under a Letter of Credit for which a request or demand has been made in the required form without any further reference to the Borrower and any investigation or enquiry, need not concern itself with the propriety or validity of any claim made or purported to be



made under the terms of such Letter of Credit (except as to compliance with the payment conditions of such Letters of Credit) and will be entitled to assume that any Person expressed in such Letter of Credit as being entitled to make demand or receive payments thereunder is so entitled. Accordingly, so long as a request or demand has been made as aforementioned, it will not be a defence to any demand made of the Borrower hereunder, nor will the obligations of the Borrower hereunder be impaired by the fact (if it be the case) that the Lender was or might have been justified in refusing payment, in whole or in part, of the amounts so claimed.

(7) A certificate of the Lender as to the amounts paid by the Lender under any Letter of Credit will, in the absence of manifest error, be prima facie evidence of the existence and amount of such payment in any legal action or proceeding arising out of or in connection herewith.

(8) Prior to the issuance of the Letter of Credit or any extension thereof, the Borrower will pay to the Lender a fee at the Letter of Credit Fee Rate calculated on the amount of the Letter of Credit in Canadian Dollars on the basis of a calendar year for the number of days from the date of issuance or extension of the Letter of Credit until its expiry date.

(9) The obligations of the Borrower with respect to Letters of Credit will be unconditional and irrevocable, and must be paid or performed strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

- (a) any lack of validity or enforceability of any Loan Document or the applicable Letter of Credit;
- (b) any amendment or waiver of or any consent to or actual departure from this Agreement;
- (c) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), the Lender or any other Person or entity, whether in connection with this Agreement, the transactions contemplated herein or in any other agreements or any unrelated transactions;
- (d) any document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect except for non-compliance with the payment conditions of such Letter of Credit; or
- (e) any other circumstance whatsoever, whether or not similar to any of the foregoing.

At the option of the Lender, either the *Uniform Customs and Practice* for documentary credits or the *International Standby Practices*, each published by the International Chamber of Commerce, current on the issue of each Letter of Credit will be binding on the Borrower and the Lender with respect to each such Letter of Credit. The Borrower assumes all risks of the acts or omissions of the beneficiary of each Letter of Credit with respect to such Letter of Credit. In furtherance of, and not in limitation of, the Lender's rights and powers under such *Uniform Customs and Practice* or *International Standby Practices*, as applicable, but subject to all other provisions of this Section

5.02, it is agreed that the Lender will not have any liability for, and that the Borrower assumes all responsibility for: (i) the genuineness of any signature, (ii) the form, validity, genuineness, falsification and legal effect of any draft, certification or other document required by a Letter of Credit or the authority of the Person signing the same, (iii) the failure of any instrument to bear any reference or adequate reference to a Letter of Credit or the failure of any Person to note the amount of any instrument on the reverse of a Letter of Credit or to surrender a Letter of Credit, (iv) the good faith or acts of any Person other than the Lender and its agents and employees, (v) the existence, form or sufficiency or breach or default under any agreement or instrument of any nature whatsoever, (vi) any delay in giving or failure to give any notice, demand or protest, and (vii) any error, omission, delay in or nondelivery of any notice or other communication, however sent. The determination as to whether the required documents are presented prior to the expiration of a Letter of Credit and whether such other documents are in proper and sufficient form for compliance with a Letter of Credit will be made by the Lender in its sole discretion, which determination will be conclusive and binding upon the Borrower absent manifest error. It is agreed that the Lender may honour, as complying with the terms of a Letter of Credit and this Agreement, any documents appearing to be in order and signed or issued by the beneficiary thereof. Any action, inaction or omission on the part of the Lender under or in connection with any Letter of Credit or any related instrument or document, if in good faith and in conformity with such laws, regulations or commercial or banking customs as the Lender may reasonably deem to be applicable, will be binding upon the Borrower, and will not affect, impair or prevent the vesting of any of the Lender's rights or powers hereunder or the Borrower's obligation to make full reimbursement of amounts drawn under the Letters of Credit. Notwithstanding the provisions of this Section 5.02(9), the Borrower will not be responsible, and no Person will be relieved of responsibility under this Article 5, for any gross negligence or wilful misconduct of such Person.

## ARTICLE 6- REPAYMENT

### 6.01 Mandatory Repayment - Revolving Term Facility

The Borrower will repay in full the outstanding principal amount of all Loans and other Obligations under the Revolving Term Facility on or before the then Current Revolving Term Facility Maturity Date.

### 6.02 Mandatory Repayment - Non-Revolving Term Facility

The Borrower will pay the interest only on the outstanding principal amount of all Loans under the Non-Revolving Term Facility from the Closing Date to the date that is two years from the Closing date (the "**Grace Period**") and thereafter will repay the outstanding principal plus interest based on a 7 year amortization schedule (a) by quarterly equal payments on the first Business Day of each Fiscal Quarter, as applicable, and (b) the remaining principal amount of all Loans and all other Obligations in connection with the Non-Revolving Term Facility on January 31, 2024 (the "**Non-Revolving Term Facility Maturity Date**"). Notwithstanding anything herein contained, the Grace Period may be extended at the request of the Borrower, with 30 days written notice to and the consent (in its sole discretion of) the Lender, for an additional two years.

6.03 **Mandatory Repayment Based on Adjusted Excess Cash Flow – Non-Revolving Term Facility**

(1) Not later than March 31, 2018 (for fiscal 2017) and not later than March 31 in each subsequent year (for the immediately preceding fiscal year of the Borrower), the Borrower will determine Adjusted Excess Cash Flow for such period.

(2) Once Adjusted Excess Cash Flow has been determined in accordance with Section 6.03(1), on the date specified therein, in addition to the repayments required under Section 6.01, the Borrower will make a repayment under the Non-Revolving Term Facility in Canadian Dollars in an amount equal to 5% of Adjusted Excess Cash Flow.

(3) All repayments under this Section 6.03 will be applied against the repayments of principal required under Section 6.02 in inverse order of maturity.

6.04 **Mandatory Repayment on Dispositions – Non-Revolving Term Facility**

(1) If a Restricted Party receives Net Proceeds in excess of an aggregate over the term of the Non-Revolving Term Facility of \$20,000,000, the Borrower will have an obligation under this Section 6.04 to make a repayment under the Non-Revolving Term Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such Net Proceeds. Within 10 Business Days of a Restricted Party receiving such Net Proceeds, the Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility ten Business Days after the giving of the Repayment Notice.

(2) If a Restricted Party receives a payment of proceeds pursuant to or in connection with the issuance of Debt (other than Debt permitted pursuant to Section 9.04(4)), the Borrower will have an obligation under this Section 6.04 to make a repayment under the Non-Revolving Term Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such proceeds. Within 10 Business Days of a Restricted Party receiving such proceeds, the Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility ten Business Days after the giving of the Repayment Notice.

(3) If a Restricted Party receives a payment of proceeds pursuant to or in connection with the issuance or sale of any Equity, the Borrower will have an obligation under this Section 6.04 to make a repayment under the Non-Revolving Term Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such proceeds. Within 10 Business Days of a Restricted Party receiving such proceeds, the Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility ten Business Days after the giving of the Repayment Notice.

(4) If a Restricted Party receives a payment of net insurance proceeds under or in connection with an insurance policy in connection with the loss, damage or destruction of any property, then on the date which is one hundred and eighty (180) days after receipt of such payment the Borrower shall prepay the Non-Revolving Term Facility in an amount equal to the Equivalent Amount Canadian Dollars of the portion of such net insurance proceeds that has not been applied to the repair or replacement of such property from which such proceeds were derived. Within one hundred and eighty (180) days after receipt of such payment, the Borrower will



provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility after the giving of the Repayment Notice.

(5) Each repayment under this Section 6.04 will be applied against the repayments of principal required under Section 6.02 in inverse order of maturity.

(6) The Lender hereby consents to any payment that will be necessary for a Restricted Party to make to the Borrower in order for the repayments under this Section 6.04 to be made.

#### 6.05 **Voluntary Prepayments and Reductions – Non-Revolving Term Facility**

(1) If the Lender has received a Repayment Notice from the Borrower not less than ten Business Days prior to the proposed prepayment date, the Borrower may from time to time prepay Loans outstanding under the Non-Revolving Term Facility without penalty provided that each such prepayment must be in a minimum amount of Cdn. \$25,000,000 and in increments of Cdn. \$1,000,000.

(2) Each such prepayment will be applied against the repayments of principal required under Section 6.02 in inverse order of maturity.

#### 6.06 **Repayment Compensation**

(1) If the Borrower by reason of any repayment hereunder, whether mandatory or voluntary, (a) pays any CDOR Loan prior to the end of the applicable Interest Period, the Borrower will compensate the Lender for any loss or expense that the Lender incurs as a result thereof, including any breakage costs, or (b) discharges its obligation to the Lender in respect of outstanding Letters of Credit, the Borrower will deposit collateral with the Lender equal to the the face amount of such Letters of Credit, as applicable.

### **ARTICLE 7 - PLACE AND APPLICATION OF PAYMENTS**

#### 7.01 **Place of Payment of Principal, Interest and Fees**

All payments of principal, interest, fees and other amounts to be made by the Borrower to the Lender pursuant to this Agreement will be made in the currency in which a Loan is outstanding for value on the day such amount is due or, if such day is not a Business Day, on the Business Day next following with interest, by deposit or transfer thereof to the account designated from time to time in writing by the Lender at the Lending Office.

#### 7.02 **Netting of Payments**

If, on any date, amounts would be due and payable under this Agreement in the same currency by a Restricted Party to the Lender, and by the Lender to a Restricted Party, then, on such date, the obligations of each such party to make payment of any such amount will be automatically satisfied and discharged if the amounts payable are the same. If the aggregate amount that would otherwise have been payable by a Restricted Party to the Lender exceeds the aggregate amount that would otherwise have been payable by the Lender to a Restricted Party or *vice versa*, such obligations will be replaced by an obligation upon whichever of the Restricted

Party or the Lender would have had to pay the larger aggregate amount, to pay to the other the excess of the larger aggregate amount over the smaller aggregate amount. For greater certainty, prior to acceleration of repayment pursuant to Section 11.02, this Section 7.02 will not permit the Lender to exercise a right of set-off, combination or similar right against any amount which a Restricted Party may have on deposit with the Lender in respect of any amount to which netting is to apply pursuant to this Section 7.02, but will apply only to determine the net amount to be payable by the Lender to a Restricted Party, or by a Restricted Party to the Lender.

## **ARTICLE 8 - REPRESENTATIONS AND WARRANTIES**

### **8.01 Representations and Warranties**

The Borrower represents and warrants to the Lender as follows, and acknowledges and confirms that the Lender is relying upon such representations and warranties:

(1) **Existence and Qualification** Each of the Restricted Parties (a) that is a corporation or company has been duly incorporated, amalgamated or continued, as the case may be, and is validly subsisting as a corporation or company under the laws of its jurisdiction of incorporation, amalgamation, or continuance, as the case may, (b) that is not a corporation or company has been duly created or established as a partnership or other entity and validly exists under the laws of the jurisdiction in which it has been created or established, and (c) is duly qualified to carry on business in all jurisdictions in which it carries on business and has all Material Licences.

(2) **Power and Authority** Each of the Restricted Parties has the power, authority and right (a) to enter into and deliver, and to exercise its rights and perform its obligations under, the Loan Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Loan Documents, and (b) to own its Property and carry on its business as currently conducted and as currently proposed to be conducted by it.

(3) **Execution, Delivery, Performance and Enforceability of Documents** The execution, delivery and performance of each of the Loan Documents to which a Restricted Party is a party, and every other instrument or agreement delivered by it pursuant to any Loan Document, has been duly authorized by all actions, if any, required on its part and by its shareholders and directors (or where applicable partners, members or managers), and each of the Loan Documents and such other instruments and agreements has been duly executed and delivered and constitutes a valid and legally binding obligation of the particular Restricted Party enforceable against it in accordance with its terms subject to bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application limiting the enforcement of creditors' rights generally and to general equitable principles.

(4) **Loan Documents Comply with Applicable Laws, Organizational Documents and Contractual Obligations** Neither the entering into nor the delivery of, and neither the consummation of the transactions contemplated in nor compliance with the terms, conditions and provisions of, the Loan Documents by any Restricted Party conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Requirement of Law applicable to it or any of its Organizational Documents (except, in each case,

where such conflict, breach, default, or contravention would not, individually or in the aggregate, constitute, or be reasonably likely to result in, a Material Adverse Change).

(5) Consents Respecting Loan Documents Each of the Restricted Parties has obtained, made or taken all consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required as to the date hereof in connection with the execution and delivery by it of each of the Loan Documents to which it is a party and the consummation of the transactions contemplated in the Loan Documents.

(6) Security. The Security constitutes a valid first security interest and first floating charge on the assets of the Borrower, subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto.

(7) Taxes Each of the Restricted Parties has paid or made adequate provision for the payment of all Taxes levied on it or on its Property or income that are due and payable, including interest and penalties, or has accrued such amounts in its financial statements for the payment of such Taxes except Taxes that are not material in amount, that are not delinquent or if delinquent are being contested, and in respect of which non-payment would not individually or in the aggregate constitute, or be reasonably likely to cause, a Material Adverse Change, and there is no material action, suit, proceeding, investigation, audit or claim now pending, or to its knowledge threatened, by any Governmental Authority regarding any Taxes nor has it agreed to waive or extend any statute of limitations with respect to the payment or collection of Taxes, other than as disclosed by the Borrower.

(8) Judgments, Etc. None of the Restricted Parties 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) that has not been stayed or of which enforcement has not been suspended and that individually or in the aggregate constitutes, or is reasonably likely to cause, a Material Adverse Change.

(9) Absence of Litigation There are no actions, suits or proceedings pending or, to the best of the Borrower's knowledge and belief, after due inquiry and all reasonable investigation, threatened against or affecting any Restricted Party that are reasonably likely to cause, either separately or in the aggregate, a Material Adverse Change. None of the Restricted Parties is in default with respect to any Applicable Law in a manner or to an extent that could reasonably be expected to cause a Material Adverse Change.

(10) Title to Assets Each of the Restricted Parties has good title to its Property, free and clear of all Encumbrances except Permitted Encumbrances and no Person has any agreement or right to acquire an interest in such Property other than in the ordinary course of the business of the applicable Restricted Party.

(11) Use of Real Property All real property owned or leased by each of the Restricted Parties may be used in all material respects by it pursuant to Applicable Law for the present use and operation of the material elements of the business conducted, or intended to be conducted, on such real property by it except where non compliance with any such Applicable Law could not

constitute, or be reasonably be expected, individually or in the aggregate, to constitute, or cause, a Material Adverse Change.

(12) Operation of Properties. To the Borrower's knowledge, all of its oil and gas properties 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 could not be reasonably expected to have a Material Adverse Effect.

(13) Labour Relations None of the Restricted Parties is engaged in any unfair labour practice that could reasonably be expected to cause a Material Adverse Change; and there is no unfair labour practice complaint pending against any of the Restricted Parties, or threatened against any of them, before any Governmental Authority that if adversely determined could reasonably be expected to cause a Material Adverse Change. No grievance or arbitration arising out of or under any collective bargaining agreement is pending against any of the Restricted Parties or threatened against any of them. No strike, labour dispute, slowdown or stoppage is pending against any of the Restricted Parties or threatened against any of them and no union representation proceeding is pending with respect to any employees of the Restricted Parties, except (with respect to any matter specified in this sentence, either individually or in the aggregate) such as could not reasonably be expected to cause a Material Adverse Change.

(14) Pension. The Borrower has in all respects complied with the contractual provisions and Applicable Law relating to each Pension Plan to which it is a party or is otherwise bound, if any, except to the extent failure to comply could not reasonably be expected to have a Material Adverse Effect and all amounts due and owing under any such Pension Plan have been paid in full, and, to the knowledge of the Borrower, no deficiency exists (whether or not waived) under any such Pension Plan, in any such case, that could reasonably be expected to have a Material Adverse Effect.

(15) Compliance with Laws None of the Restricted Parties is in default under any Applicable Law where such default could reasonably be expected to cause a Material Adverse Change or affect its ability to perform any of its obligations under any Loan Document to which it is a party.

(16) No Default Other than the failure of the Borrower to pay interest in respect of the Borrower's existing Convertible Debentures held by the Guarantor, none of the Restricted Parties is in default under any agreement, guarantee, indenture or instrument to which it is a party or by which it is bound, the breach of which could reasonably be expected to cause a Material Adverse Change or affect its ability to perform any of its obligations under any Loan Document to which it is a party.

(17) Ownership Structure The ownership structure of the Borrower and its Subsidiaries is as set out in Schedule 8.01(14), which contains:

- (a) a list of all Restricted Parties; and
- (b) complete and accurate information respecting:



- (i) each such Restricted Party's name (including any French and English forms of name) and the jurisdiction in which each Restricted Party was formed;
- (ii) the address (including postal code or zip code) of each Restricted Party's chief executive office and chief place of business and, if the same is different, the address at which the books and records of such Restricted Party are located, the address at which senior management of such Restricted Party are located and conduct their deliberations and make their decisions with respect to the business of such Restricted Party and the address from which the invoices and accounts of such Restricted Party are issued; and
- (iii) the authorized capital of the Borrower and each Restricted Party, the number of issued and outstanding shares of each such Person and the beneficial owners thereof.

(18) Relevant Jurisdictions The Relevant Jurisdictions for each Restricted Party are set forth on Schedule 1.01(F).

(19) Security The Security is effective to create in favour of the Lender, as security for the Obligations described therein, a legal, valid, binding and enforceable security interest in the collateral described therein and proceeds thereof.

(20) Liens and Indebtedness The Borrower has no material liens on its property, other than the Security and Permitted Encumbrances, and has not incurred or assumed any Debt, other than Permitted Debt.

(21) Intellectual Property Rights Each of the Restricted Parties has sufficient Intellectual Property Rights reasonably necessary for the conduct of its businesses. To the Borrower's knowledge, none of the Restricted Parties is infringing or is alleged to be infringing the Intellectual Property Rights of any other Person in a manner that could reasonably be expected to cause, or if any allegation is determined adversely could reasonably be expected to cause, a Material Adverse Change other than as disclosed in Schedule 8.01(17).

(22) Financial Statements All of the quarterly and annual financial statements that have been furnished to the Lender in connection with this Agreement are complete in all material respects and such financial statements fairly present the financial position of the Borrower or other Restricted Party, as the case maybe, as of the dates referred to therein and have been prepared in accordance with GAAP. None of the Restricted Parties has any liabilities (contingent or other) or other obligations of the type required to be disclosed in accordance with GAAP that are not fully disclosed on the consolidated financial statements of the Borrower provided to the Lender for the fiscal period ended September 30, 2016, other than liabilities and obligations incurred in the ordinary course of business, and the Obligations.

(23) No Material Adverse Change Since the date of the Borrower's most recent annual audited financial statements provided to the Lender, there has been no condition (financial or otherwise), event or change in any Restricted Party's business, liabilities, operations, results of

operations, assets or prospects which constitutes, or could reasonably be expected to constitute, or cause, a Material Adverse Change.

(24) Environmental Matters

- (a) The assets of each Restricted Party and its operations are in full compliance in all respects with all Environmental Laws; the Borrower is not aware of, nor has it received notice of, any past, present or future condition, event, activity, practice or incident that may interfere with or prevent the compliance or continued compliance of it or any other Restricted Party in all respects with all Environmental Laws; and each Restricted Party has obtained all licences, permits and approvals that are currently required under all Environmental Laws and is in full compliance with the provisions of such licences, permits and approvals, in each case except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (b) The Borrower is not aware that any Hazardous Substances exist on, about or within or have been used, generated, stored, transported, disposed of on, or released from any of its Property or the Property of any other Restricted Party other than in material accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (c) The use which each Restricted Party has made and intends to make of its Property will not result in the use, generation, storage, transportation, accumulation, disposal, or release of any Hazardous Substances on, in or from any such property except in accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (d) There is no action, suit or proceeding, or, to its knowledge, any investigation or inquiry, before any Governmental Authority pending or, to its knowledge, threatened against any Restricted Party relating in any way to any Environmental Law that would or could reasonably be expected to cause a Material Adverse Change.
- (e) No Restricted Party has (i) incurred any current and outstanding liability for any clean-up or remedial action under any Environmental Law with respect to current or past operations, events, activities, practices, incidents or the condition or use of any Property owned currently or in the past, (ii) received any outstanding written request for information (other than information to be provided in the normal course in connection with applications for licences, permits or approvals) by any Person under any Environmental Law with respect to the condition, use or operation of its Property, or (iii) received any outstanding written notice or claim under any Environmental Law with respect to any material violation of or liability under any Environmental Law or relating to the presence of Hazardous Substance on or

originating from its Property, that, in any such case, would or could reasonably be expected to cause a Material Adverse Change.

(25) Pension Plans With respect to Pension Plans, except as disclosed on Schedule 8.01(21), (a) no steps have been taken to terminate any Pension Plan (wholly or in part) that could result in any of the Restricted Parties being required to make an additional contribution to the Pension Plan in excess of \$5,000,000, (b) no contribution failure has occurred with respect to any Pension Plan of a Restricted Party sufficient to give rise to a lien or charge under any applicable pension benefits laws, and (c) no condition exists and no event or transaction has occurred with respect to any Pension Plan that is reasonably likely to result in any Restricted Party incurring any material liability, fine or penalty. Except as disclosed on Schedule 8.01(21), (i) each Pension Plan of each Restricted Party is in compliance in all material respects with all Applicable Laws, (ii) all contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Applicable Laws and the terms of each such Pension Plan have been made in accordance with all Applicable Laws and the terms of each such Pension Plan, (iii) all liabilities under each such Pension Plan are funded, on a going concern and solvency basis, in accordance with the terms of the respective Pension Plans, the requirements of applicable pension benefits laws and of applicable regulatory authorities and the most recent actuarial report filed with respect to the Pension Plan, and (iv) no event has occurred and no conditions exist with respect to any Pension Plan that have resulted or could reasonably be expected to result in any Pension Plan having its registration revoked or refused for the purposes of any administration of any relevant pension benefits regulatory authority or being required to pay any Taxes under any Applicable Laws, except for any exceptions to clauses (ii) through (iv) above that, individually or in the aggregate, could not reasonably be expected to cause a Material Adverse Change.

(26) Full Disclosure All information provided or to be provided to the Lender in connection with the Credit Facilities is, to the Borrower's knowledge, true and correct and none of the documentation furnished to the Lender by or on behalf of it, to its knowledge, omits or will omit as of such time, a material fact necessary to make the statements contained therein not misleading in any material way, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by it (and any other Person who furnished such material on behalf of it).

(27) Anti-Corruption Laws; Anti-Terrorism Laws No Restricted Party is named on any list of persons, entities, and governments issued by OFAC pursuant to the Terrorism Order, as in effect on the date hereof, or any similar list issued by OFAC (collectively, the "**OFAC Lists**"). No Restricted Party is a person or entity determined by the Secretary of the Treasury pursuant to the Terrorism Order to be owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in the OFAC Lists. None of the transactions contemplated hereby will violate (i) the United States Trading with the Enemy Act (12 U.S.C. 95a and 12 U.S.C. 95b, as amended), (ii) any of the foreign assets control regulations of the U.S. Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto (as amended, the "**Department of Treasury Rule**"), (iii) Executive Order No. 13224 (as amended, the "**Terrorism Order**"), or (iv) the Patriot Act, (v) Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), (vi) the Criminal Code (Canada), and (vii) the



United Nations Act (Canada) (all of the foregoing and any other Federal laws of the U.S. and Canada relating to terrorism or money laundering, including regulations administered by OFAC, “**Anti-Terrorism Laws**”). Neither Borrower nor any Restricted Party nor controlled Affiliate of Sponsor is a “blocked person” as described in Section 1 of the Terrorism Order or a Person described in the Department of the Treasury Rule. None of Borrower, any Restricted Party nor any controlled Affiliate of the Borrower knowingly engages in any dealings or transactions, or is otherwise associated, with any such “blocked person” or any such Person described in the Department of Treasury Rule. Borrower, each of the other Restricted Parties and their respective directors, officers, agents, employees and any Person acting for or on behalf of Borrower or any other Restricted Party, acting in such capacity, have complied with the FCPA, CFPOA and any other applicable anti-bribery or anti-corruption law (“**Anti-Corruption Laws**”), and it and they have not made, offered, promised or authorized, whether directly or indirectly, any payment, of anything of value to a Government Official while knowing or having a reasonable belief that all or some portion will be used for the purpose of: (i) influencing any act, decision or failure to act by a Government Official in such Person’s official capacity, (ii) inducing a Government Official to use such Person’s influence with a government or instrumentality or Governmental Authority to affect any act or decision of such government or instrumentality or Governmental Authority, or (iii) securing an improper advantage, in each case in order to obtain, retain or direct business. Each of the Restricted Parties’ directors, officers, agents and employees are, with respect to actions conducted in such capacities, in compliance with the FCPA, CFPOA and all other applicable Anti-Corruption Laws. No Restricted Party nor any director, officer, agent or employee of any Restricted Party is aware of or has taken any action, directly or indirectly, that would result in a violation by any Restricted Party or their respective directors, officers, agents or employees of the FCPA, CFPOA or other applicable Anti-Corruption Law. Each Restricted Party maintains policies and procedures reasonably designed to promote and achieve continued compliance with the FCPA, CFPOA and all other applicable Anti-Corruption Laws. None of the proceeds of the Loans will be used, directly or indirectly, for any payments to any Governmental Official or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage in violation of the FCPA or any other Anti-Corruption Law.

8.02            **Survival and Repetition of Representations and Warranties**

The representations and warranties set out in Section 8.01 survive the execution and delivery of this Agreement and all other Loan Documents and will be deemed to be repeated by the Borrower as of each Drawdown Date. To the extent that on or prior to such date (a) the Borrower has advised the Lender in writing of a variation in any such representation or warranty, and (b) if such variation, in the opinion of the Lender, acting reasonably, is material to the Property, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of any Restricted Party considered as a whole or could have, or be reasonably likely to result in, a Material Adverse Change, the Lender has approved such variation, then such representation and warranty will thereafter be deemed to be varied as approved by the Lender.

## ARTICLE 9 - COVENANTS

### 9.01 Positive Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Lender, the Borrower will:

(1) Timely payment Make due and timely payment of the Obligations required to be paid by it hereunder.

(2) Maintenance and Operation of Properties Maintain and operate its property, or, if it is not the operator, use reasonable efforts to ensure that such property is maintained and operated, in accordance with sound industry practice and in accordance in all respects with Applicable Law, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(3) Performance of Agreements 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 could 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.

(4) Comply with Law and Maintain Permits 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 Governmental Authorities, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(5) Conduct of Business, Maintenance of Existence, Compliance with Laws Engage in business of the same general type as now conducted by it; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; and take all reasonable action to maintain all rights, privileges and franchises necessary in the normal conduct of its business and to comply in all material respects with all Requirements of Law, including Requirements of Environmental Law.

(6) Further Assurances Use reasonable efforts to provide the Lender with such other documents, opinions, consents, acknowledgments and agreements as are reasonably necessary to implement this Agreement and the other Loan Documents from time to time.

(7) Access to Information Promptly provide the Lender with all information reasonably requested by the Lender from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Lender to inspect any of its Property subject to guidelines provided by the Borrower, acting reasonably, and to examine (subject to any bona fide third party confidentiality agreements) its financial records, including records stored in computer data banks and computer

software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors, the reasonable expense of all of which will be paid by the Borrower.

(8) Inspection of Property; Books and Records; Discussions Will maintain books and records of account in accordance with GAAP and Applicable Law; and permit representatives of the Lenders at the Lenders' expense, and subject to the Borrower's health and safety requirements and further subject to guidelines provided by the Borrower, acting reasonably, 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 the Borrower and to examine (subject to any bona fide third party confidentiality agreements) any books and records of the Borrower 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 with their senior officers and (in the presence of such representatives, if any, as it may designate) with its independent chartered accountants.

(9) Obligations and Taxes Pay or discharge, or cause to be paid or discharged, before the same will become delinquent (i) all Taxes imposed upon it or upon its income or profits or in respect of its business or Property and file all tax returns in respect thereof, (ii) all lawful claims for labour, materials and supplies, (iii) all required payments under any of its Debt, and (iv) all other obligations; provided, however that it will not be required to pay or discharge or to cause to be paid or discharged any such amount so long as the validity or amount thereof is being contested in good faith by appropriate proceedings and an appropriate financial reserve in accordance with GAAP and satisfactory to the Lender has been established.

(10) Use of Credit Facilities Use the proceeds of the Credit Facilities only for the purposes specified in Section 2.04.

(11) Insurance Maintain insurance on all its Property (showing the Lender as the loss payee as its interests may appear) with financially sound and reputable insurance companies or associations including all-risk property insurance, comprehensive general liability insurance and business interruption insurance, in amounts and against risks that are determined by it to be appropriate and that are prudent in the circumstances; furnish to the Lender, on written request, but in any event annually, satisfactory evidence of the insurance carried and notify the Lender of any claim it makes under the foregoing insurance policies that is in excess of \$5,000,000.

(12) Notice of Default Promptly notify the Lender of any Default or Event of Default that would apply to it of which it becomes aware, using reasonable diligence.

(13) Notice of Material Adverse Change Promptly notify the Lender of any Material Adverse Change that would apply to it of which it becomes aware, using reasonable diligence.

(14) Notice of Litigation Promptly notify the Lender on becoming aware of the occurrence of any litigation, dispute, arbitration or other proceeding the result of which if determined adversely would be a judgement or award against it (a) in excess of \$10,000,000, or (b)

would result in a Material Adverse Change to it, and from time to time provide the Lender with all reasonable information requested by the Lender concerning the status of any such proceeding.

(15) Environmental Compliance Operate all Property owned, leased or otherwise used by it in a manner such that no obligation, including a clean-up or remedial obligation, will arise under any Environmental Law, which obligations individually or in the aggregate would have, or would be reasonably likely to cause, a Material Adverse Change; provided, however, that if any such claim is made or any such obligation arises, it will or will cause the applicable Restricted Party to immediately satisfy or contest such claim or obligation at its own cost and expense, and promptly notify the Lender upon learning of (a) the existence of Hazardous Substances located on, above or below the surface of any land that it occupies or controls (except those being stored, used or otherwise handled in substantial compliance with Environmental Law), or contained in the soil or water constituting such land, or (b) the occurrence of any reportable release of Hazardous Substances into the air, land surface water or ground water that has occurred on or from such land that, as to either (a) or (b), would be reasonably likely to result in a Material Adverse Change.

(16) Environmental Audit At the reasonable request of the Lender, will assist the Lender in conducting an environmental audit of any property which is the subject matter of any material contingent or actual obligations or liabilities, by an independent consultant selected jointly by the Lender and the Borrower, and failing any such agreement, the Lender. The reasonable costs of such audit will be for the account of the Borrower, provided that the Lender 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 the Borrower is in breach, or with the passage of time will be in breach, of any Environmental Law and such breach or potential breach has or could reasonably be expected to have a Material Adverse Effect, and without in any way prejudicing or suspending any of the rights and remedies of the Lender under the Loan Documents, the Borrower will forthwith commence and diligently proceed to rectify or cause to be rectified such breach or potential breach, as the case may be, and will keep the Lender fully advised of the actions it intends to take and has taken to rectify such breach or potential breach and the progress it is making in rectifying same. The Lender 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 Borrower's compliance with this Section 9.01(16).

(17) Security Provide the Lender and LC Provider with the Security required from time to time pursuant to Article 10 in accordance with the provisions of such Article, accompanied by supporting resolutions, certificates and opinions in form and substance satisfactory to the Lender, acting reasonably, and do all such further acts and execute and deliver all such documents and instruments as may from time to time be requested by the Lender, acting reasonably, to ensure that the Security constitutes at all times valid, enforceable, and perfected first priority Encumbrances (subject only to Permitted Encumbrances).

(18) Maintenance of Property Keep all Property useful and necessary for its business in good working order and condition, normal wear and tear excepted, except to the extent that the failure to do so would not individually or in the aggregate be reasonably likely to cause a Material Adverse Change.



(19) Hedge Arrangements At the request of the Lender and at least on an annual basis, review its hedge program with the Lender and provide satisfactory evidence that it has entered into and is maintaining a sound and fiscally responsible hedge program to manage interest rate and foreign exchange risk.

(20) Pension Matters Promptly notify the Lender on becoming aware of (a) the institution of any steps by any Person to terminate or effect a partial wind-up of any Pension Plan, (b) the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to an Encumbrance under any Applicable Law, (c) the taking of any action with respect to a Pension Plan that is reasonably likely to result in the requirement that any Restricted Party furnish a bond or other security to such Pension Plan or any applicable Governmental Authority, or (d) the occurrence of any event with respect to any Pension Plan that has not been disclosed on Schedule 8.01(21) and that is reasonably likely to result in the incurrence by any Restricted Party of any material liability, fine or penalty, and in the notice to the Lender thereof, provide copies of all documentation relating thereto.

## 9.02 Financial Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Lender, the Borrower will ensure that at the end of each fiscal quarter:

(1) Consolidated Senior Debt to EBITDA Ratio The Consolidated Senior Debt to EBITDA Ratio will not exceed:

- (a) 4.50:1.00 during the period commencing on March 31, 2017 and ending on December 31, 2017;
- (b) 4.00:1.00 during the period commencing on March 31, 2018 and ending on December 31, 2018; and
- (c) 3.50:1.00 during the period commencing on March 31, 2019 and ending on December 31, 2019; and
- (d) 3.00:1.00 thereafter.

(2) Consolidated Total Debt to EBITDA Ratio The Consolidated Total Debt to EBITDA Ratio will not exceed:

- (a) 5.50:1.00 during the period commencing on March 31, 2017 and ending on December 31, 2017;
- (b) 5.00:1.00 during the period commencing on March 31, 2018 and ending on December 31, 2018; and
- (c) 4.50:1.00 during the period commencing on March 31, 2019 and ending on December 31, 2019; and
- (d) 4.00:1.00 thereafter.

- (3) Interest Coverage Ratio The Interest Coverage Ratio is not less than:
- (a) 2.75:1.00 for the period commencing on March 31, 2017 and ending on December 31, 2017; and
  - (b) 3.00:1.00 for the period commencing on March 31, 2018 and ending on December 31, 2018; and
  - (c) 3.50:1.00 thereafter.

9.03 Reporting Requirements

So long as this Agreement is in force, the Borrower will deliver to the Lender:

(1) Quarterly Reports As soon as available and in any event within 45 days of the end of each of its Fiscal Quarters (except 90 days for the fourth Fiscal Quarter) (a) the non-consolidated financial statements of the Borrower and each other Restricted Party, (b) the interim unaudited consolidated financial statements of the Borrower, including, in each case, balance sheet, statement of cash flows, statement of income and retained earnings, statement of cash flows, which will be prepared in accordance with GAAP, and (c) a reconciliation of the financial statements referred to in clauses (a) and (b) above.

(2) Annual Reports As soon as available and in any event within 90 days after the end of each of its fiscal years, (a) the unaudited non-consolidated financial statements of each Restricted Party, and (b) the annual audited financial statements of the Borrower prepared on a consolidated basis, including, in each case, balance sheet, statement of income and retained earnings, statement of cash flows and source and application of funds for such fiscal year, which will be reviewed by an internationally recognized accounting firm, and will be prepared in accordance with GAAP and approved by the Borrower's board of directors.

(3) Quarterly Compliance Certificate and Environmental Certificate Within (i) 45 days after the end of each of the first three Fiscal Quarters and (ii) 90 days after the end of each fiscal year commencing after the Closing Date will furnish to the Lender a Compliance Certificate, and in the case of clause (ii), an Environmental Certificate.

(4) Annual Business Plan As soon as available and in any event no later than the end of each fiscal year commencing after the Closing Date, a business plan in a form satisfactory to the Lender, acting reasonably, that has been approved by the Borrower's board of directors for the forthcoming fiscal year.

(5) Additional Environmental Information Upon the request of the Lender, acting reasonably, to the extent within its control, make available for discussion with the Lender or its nominee at all reasonable times the individuals who were involved in the preparation of any Environmental Certificate.

(6) Annual Financial Forecast Furnish to the Lender a financial forecast for the next three fiscal years including an income statement, balance sheet, and cash flow statement and capital expenditure budget, detailed on a quarterly basis for the first such year and annually

thereafter on or prior to 90 days after the end of each fiscal year commencing with the first fiscal year after the Closing Date.

(7) Production Information If reasonably requested by the Lender, on or prior to 45 days after the end of each of Fiscal Quarter, furnish to the Lender a report of the lease operating and production performance including year to date figures, gross production, net production, total revenues, royalties and other burdens, operating expenses and net revenues, in a format acceptable to the Lender, acting reasonably.

(8) Notice of Hedging Provide prompt written notice to the Lender of the unwinding or other early termination of any material commodity swap contract, except to the extent such unwinding or termination relates to a Permitted Disposition.

(9) Other Information Such other information as it may reasonably request respecting the Restricted Parties, including an aged list of accounts receivable and accounts payable for each Restricted Party.

#### 9.04 Negative Covenants

So long as this Agreement is in force the Borrower will not, and will ensure that each Restricted Party will not:

(1) Disposition of Property Dispose of, in one transaction or a series of transactions, all or any part of its Property, whether now owned or hereafter acquired, except that it may, in the normal course of its business, for fair market value, and in accordance with customary trade terms, Dispose of any tangible personal Property that would reasonably be considered to be the subject matter of sales by it in the normal course of its business for the purpose of carrying on the same, or that is worn out, obsolete or no longer useful for the purpose of carrying on its business.

(2) No Consolidation, Amalgamation, Change of Control, etc. Consolidate, amalgamate or merge with any other Person, enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, permit any liquidation, winding up or dissolution or permit or facilitate or allow any change of share ownership of the Borrower from that of wholly owned by the Guarantor.

(3) No Change of Name Change its name without providing the Lender with 30 days' prior written notice thereof.

(4) No Debt Create, incur, assume or permit any Debt to remain outstanding, other than Permitted Debt.

(5) No Financial Assistance Give any Financial Assistance.

(6) No Distributions Make any Distribution except Permitted Distributions.

(7) No Encumbrances Create, incur, assume or permit to exist any Encumbrance upon any of its Property except Permitted Encumbrances.



(8) Capital Expenditures In any fiscal year make, or enter into any agreement which would require it to make, any Capital Expenditures materially in excess of those amounts as set out in the business plan to be delivered pursuant to Section 9.03(4).

(9) No Change to Year End Make any change to its fiscal year end from December 31.

(10) Prepayments Not, and will not, permit any Subsidiary to, prepay, redeem, repurchase or otherwise satisfy (other than by way of the issuance of capital stock of the Borrower) prior to the scheduled maturity thereof any portion of any unsecured notes, the Convertible Debentures and/or second lien notes.

(11) Changes to Constatting Documents Not 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 Lender under the Loan Documents.

(12) No Continuance Continue into any other jurisdiction.

(13) Hedge Arrangements Enter into or permit to be outstanding at any time any Hedge Arrangement unless:

- (a) such Hedge Arrangement has been entered into by the Restricted Party bona fide and in good faith in the ordinary course of its business for the purpose of carrying on the same and not for speculative purposes;
- (b) the term of such Hedge Arrangement does not extend beyond the Non-Revolving Term Facility Maturity Date; and
- (c) the aggregate amount hedged under all financial commodity swap contracts at the time such contract is entered into and after giving effect thereto shall not exceed the lesser of (i) \$30,000,000 and (ii) 75% of the first year projected average daily production net of royalties and 50% of the second year of projected average daily production net of royalties.

(14) Location of Assets in Other Jurisdictions Except for any Property being delivered to a customer in the ordinary course of business of such Restricted Party as part of the performance of its obligations, or the provision of its services, to such customer under a contract entered into with such customer in the ordinary course of business of such Restricted Party, move any Property from a jurisdiction in which the Encumbrance of the Security over such Property is perfected to a jurisdiction where such Encumbrance is not perfected or where, after a temporary period allowing for registration in such other jurisdiction, such Encumbrance could become unperfected, or suffer or permit in any other manner any of its Property to not be subject to the Encumbrance of the Security or to be or become located in a jurisdiction in which the Encumbrance of the Security over such Property is not perfected, unless the applicable Restricted Party has first (a) given prior written notice thereof to the Lender, and (b) executed and delivered to the Lender or LC Provider, as applicable, all Security and all financing or registration statements in form and substance satisfactory to the Lender that the Lender or its counsel, acting reasonably, from time to time deem necessary or advisable to ensure that the Security at all times constitutes a perfected first priority Encumbrance (subject only to Permitted Encumbrances) over such Property in such jurisdiction

together with such supporting certificates, resolutions, opinions and other documents as the Lender, acting reasonably, may deem necessary or desirable in connection with such security and registrations.

(15) Amendments to Organizational Documents Amend any of its Organizational Documents in a manner that would be prejudicial to the interests of any of the Lender under the Loan Documents.

(16) Amendments to other Documents Amend, vary or alter in any way, consent to any assignment or transfer of, or waive or surrender any of its rights or entitlements under, any Deeply Subordinated Loan.

(17) No New Subsidiaries Create any Subsidiary after the date of this Agreement unless the Lender is provided with the acknowledgement of such Subsidiary that it has become a party to this Agreement as a Guarantor as if it had executed this Agreement on the date hereof and such new Subsidiary provides security on the same basis as if it were providing Security on the date of this Agreement.

## **ARTICLE 10 - SECURITY**

### 10.01 **Security**

As general and continuing security for the payment and performance of the Obligations the Borrower will grant, and will ensure that each Restricted Party grants, to the Lender the security described below:

- (a) a demand debenture of the Borrower in the principal amount of \$1,200,000,000 secured by a fixed and specific mortgage and charge of all present and after acquired real and immoveable property and the equipment described in the schedules thereto and a floating charge over all Property not subject to such fixed and specific mortgages and charges, which will be assigned to the LC Provider as security for the issuance of the SBLC's;
- (b) an assignment by each Restricted Party of all policies of insurance and all proceeds thereunder with respect to all Property that is subject to the foregoing security and all other security hereafter granted by a Restricted Party pursuant to this Agreement, including any policies providing business interruption insurance, with the Lender named as first loss payee, with a standard mortgage clause endorsement, and certificates evidencing all such insurance;

- (c) a subordination agreement in respect of the Deeply Subordinated Loan in form and substance satisfactory to the Lender, acting reasonably;
- (d) at any time, on the requirement of the Lender, a control account agreement as to any bank account of the Borrower which is held at a financial institution other than the Lender, it being acknowledged that the Lender has agreed to permit the Borrower to utilize bank accounts of other financial institutions, provided that the Lender is informed of the existence of such account, and a control account agreement will be delivered upon the requirement of the Lender;
- (e) a share pledge provided by the Guarantor in favour of the Lender, which will be assigned to the LC Provider as security for the issuance of the SBLC's, pledging all of the issued and outstanding shares of the Borrower, and which pledge agreement will include negative covenants restricting the issuance of shares to any other party, the inclusion of all issued and outstanding shares pursuant to the pledge, and industry usual terms, including, as required, the requirement to deliver the share certificates, and a control account; and
- (f) the SBLC's in favour of the Lender issued by the LC Provider.

10.02 **After Acquired Property and Further Assurances**

Each Restricted Party will from time to time execute and deliver all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all Property acquired by any Restricted Party after the date hereof, or as may be required to properly perfect the security interest of the Lender in any Property, including a control agreement..

10.03 **Form of Security**

The Security will be in form satisfactory to the Lender, acting reasonably.

**ARTICLE 11 - DEFAULT**

11.01 **Events of Default**

The occurrence of any one or more of the following events (each such event being referred to as an “**Event of Default**”) will constitute a default under this Agreement unless such Event of Default has been waived by the Lender:

- (a) if the Borrower fails to pay any amount of principal of any Loan when due;
- (b) if the Borrower fails to pay any interest, fees or other Obligations (other than any principal amount) when due and such default continues for 10 Business Days after notice of such default has been given by the Lender to the Borrower;

- (c) if the Borrower breaches any of the covenants in Section 9.02 or 9.04 and such breach continues for a period exceeding one Fiscal Quarter from the date of such breach;
- (d) if any Restricted Party neglects to observe or perform any covenant or obligation herein contained on its part to be observed or performed (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 11.01) and such Restricted Party fails to remedy such default within 30 days from the earlier of (i) the date such Restricted Party becomes aware of such default, and (ii) the date the Lender delivers written notice of the default to such Restricted Party;
- (e) if any representation or warranty made by any Restricted Party in this Agreement, any Loan Document or in any certificate or other document at any time delivered hereunder to the Lender proves to have been incorrect or misleading in any material respect on and as of the date that it was made or was deemed to have been made and such Restricted Party fails to remedy such default within 15 days of the occurrence of such event;
- (f) 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;
- (g) if any Restricted Party ceases or threatens to cease to carry on business generally or admits its inability or fails to pay its Debts generally;
- (h) if any Restricted Party (i) fails to make any payment when such payment is due and payable to any Person in relation to any Debt (other than Obligations) that in the aggregate principal amount then outstanding is in excess of Cdn. \$10,000,000 and any applicable grace period in relation thereto has expired, or (ii) defaults in the observance or performance of any other agreement or condition in relation to any Debt (other than Obligations) to any Person that in the aggregate principal amount then outstanding is in excess of Cdn. \$10,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs or condition exists, the effect of which default or other condition is to cause such Debt to become due prior to its stated maturity date;
- (i) if any Restricted Party denies, to any material extent, its obligations under any Loan Document or claims any of the Loan Documents to be invalid or withdrawn in whole or in part;
- (j) any of the Loan Documents or any material provision of any of them becomes unlawful or is changed by virtue of legislation or by a Governmental Authority, if any Restricted Party does not, within 15 Business Days of receipt of notice of such Loan Document or material provision becoming unlawful or being changed, replace such Loan Document with a new agreement that is in form and substance

satisfactory to the Lender, acting reasonably, or amend such Loan Document to the satisfaction of the Lender, acting reasonably;

- (k) if a decree or order of a court of competent jurisdiction is entered adjudging a Restricted Party a bankrupt or insolvent or approving as properly filed a petition seeking the winding up of a Restricted Party under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the *United States Bankruptcy Code* or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of a Restricted Party or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 Business Days;
- (l) if any Restricted Party becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *United States Bankruptcy Code*, the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition;
- (m) if an Encumbrancer takes possession, by appointment of a receiver, receiver and manager or otherwise, of all or a substantial portion of the Property of any Restricted Party;
- (n) if proceedings are commenced for the dissolution, liquidation or voluntary winding up of any Restricted Party, or for the suspension of the operations of any Restricted Party unless such proceedings are being actively and diligently contested in good faith;
- (o) if a final judgment or decree for the payment of money due has been obtained or entered against the Borrower in an amount in excess of Cdn. \$20,000,000, or against any other Restricted Party in an amount that, in the reasonable opinion of the Lender, would materially and adversely affect the ability of any such other Restricted Party to fulfil its obligations to the Lender under this Agreement, and such judgment or decree has not been and remained vacated, discharged or stayed pending appeal within the applicable appeal period;
- (p) if any Security ceases to constitute a valid and perfected first priority security interest (subject only to Permitted Encumbrances) and the applicable Restricted



Party has failed to remedy such default within 10 days of becoming aware of such fact; or

- (q) a Material Adverse Change has occurred.

#### 11.02 Acceleration and Enforcement

- (1) If any Event of Default occurs and is continuing:
  - (a) the Lender will have no further obligation to make Loans or issue Letters of Credit hereunder, the LC Provider will have no obligation to provide further SBLC's except as required between the Lender and the LC Provider, and the outstanding principal amount or face amount, as the case may be, of all Loans, Letters of Credit and all other Obligations will, at the option of the Lender, become immediately due and payable with interest thereon, at the rate or rates determined as herein provided, to the date of actual payment thereof, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by each Restricted Party; provided, if any Event of Default described in Section 11.01(j) or (k) with respect to the Borrower occurs, the Commitments (if not theretofore terminated) will automatically terminate and the outstanding principal amount or face amount, as the case may be, of all Loans, Letters of Credit and all other Obligations will automatically be and become immediately due and payable; and
  - (b) the Lender may, in its discretion, exercise any right or recourse and proceed by any action, suit, remedy or proceeding against any Restricted Party authorized or permitted by law for the recovery of all the Obligations to the Lender and, whether or not the Lender has exercised any of its rights under the foregoing clause (a), proceed to exercise any and all rights hereunder and under the Security.

(2) The Lender is not under any obligation to the Restricted Parties or any other Person to realize upon any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. The Lender is neither responsible nor liable to the Restricted Parties or any other Person for any loss or damage arising from such realization or enforcement or the failure to do so or for any act or omission on its part or on the part of any director, officer, employee, agent or adviser of the Lender in connection with any of the foregoing.

#### 11.03 Payment of Letters of Credit

(1) If any Letter of Credit is outstanding upon the occurrence of an Event of Default, the Borrower will forthwith pay to the Lender an amount (the “**deposit amount**”) equal to the face amount of the undrawn face amount of each outstanding Letter of Credit, which deposit amount will be held by the Lender in a non-interest bearing cash collateral account for application against the indebtedness owing by the Borrower to the Lender in respect of any draw on any outstanding Letter of Credit. In the event that the Lender is not called upon to make full payment on any outstanding Letter of Credit prior to its expiry date, the deposit amount, or any part thereof that has not been paid out, that is attributable to such Letter of Credit, will, so long as no Event of Default

then exists, be returned to the Borrower. The Borrower will execute and deliver all such security as the Lender may deem necessary or advisable in connection with the deposit amount, including an assignment of the credit balance in respect of such cash collateral account.

(2) If the Borrower does not pay to the Lender the face amount of any unexpired Letter of Credit required to be paid pursuant to Section 11.03(1) the Lender may at its option at any time without notice to the Borrower make a CDOR Loan to the Borrower equal to the face amount of all unexpired Letters of Credit, such CDOR Loan not to bear interest until the maturity date of the particular Letter of Credit. The proceeds of such Loan will be held by the Lender in accordance with Section 11.03(1).

11.04 **Remedies Cumulative**

For greater certainty, it is expressly understood that the respective rights and remedies of the Lender hereunder or under any other Loan Document or instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any other Loan Document will not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lender may be lawfully entitled in connection with such default or breach.

11.05 **Perform Obligations**

If an Event of Default has occurred and is continuing and if any Restricted Party has failed to perform any of its covenants or agreements in the Loan Documents, the Lender, may, but will be under no obligation to, perform any such covenants or agreements in any manner deemed fit by the Lender without thereby waiving any rights to enforce the Loan Documents. The reasonable expenses (including any legal costs) paid by the Lender in respect of the foregoing will be an Obligation and will be secured by the Security.

11.06 **Third Parties**

It is not necessary for any Person dealing with the Lender to inquire whether the Security has become enforceable, or whether the powers that the Lender is purporting to exercise may be exercised, or whether any Obligations remain outstanding upon the security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale is to be made, or otherwise as to the propriety or regularity of any sale or other disposition or any other dealing with the collateral charged by such Security or any part thereof.

11.07 **Application of Payments**

All payments made by the Borrower hereunder or received from proceeds of the enforcement or realization of any Security will be applied to amounts due under the Obligations, as determined by the Lender.



11.08 **Right of Set-off**

If an Event of Default has occurred and is continuing, the Lender and each of its Affiliates is hereby authorized at any time and from time to time, without notice to the Borrower or any other Person, to set-off and apply any and all deposits (general or special, time or demand, matured or unmatured, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender or any such Affiliate to or for the credit or the account of any Restricted Party against any and all of the Obligations, irrespective of whether or not the Lender has made any demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or are owed to a branch or office of the Lender or any such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Lender and its Affiliates under this Section 11.08 are in addition to other rights and remedies (including other rights of set-off, consolidation of accounts and bankers' lien) that the Lender or its Affiliates may have. The Lender agrees to promptly notify the Borrower after any such set-off and application, but the failure to give such notice will not affect the validity of such set-off and application.

**ARTICLE 12 – CHANGE IN CIRCUMSTANCES AND INDEMNITIES**

12.01 **Increased Costs**

- (1) If any Change in Law will:
  - (a) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lender;
  - (b) subject the Lender to any Tax of any kind whatsoever with respect to this Agreement, or any Loan or Letter of Credit, or change the basis of taxation of payments to the Lender in respect thereof, except for Indemnified Taxes or Other Taxes covered by Section 12.02 and the imposition, or any change in the rate, of any Excluded Tax payable by the Lender; or
  - (c) impose on the Lender or any applicable interbank market any other condition, cost or expense affecting this Agreement or Loans made by the Lender or any Letter of Credit;

and the result of any of the foregoing will be to increase the cost to the Lender of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to the Lender of issuing or maintaining any Letter of Credit (or maintaining its obligation to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or any other amount), then upon request of the Lender the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

- (2) If the Lender determines that any Change in Law affecting the Lender or any lending office of the Lender or the Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on the Lender's capital or

on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Commitments of the Lender or the Loans made by, or the Letters of Credit issued by the Lender, to a level below that which the Lender or its holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of its holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or its holding company for any such reduction suffered.

(3) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in Section 12.01(1) or 12.02(2), including reasonable detail of the basis of calculation of the amount or amounts, that is delivered to the Borrower will be conclusive absent manifest error. The Borrower will pay the Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(4) Failure or delay on the part of the Lender to demand compensation pursuant to this Section 12.01 will not constitute a waiver of the Lender's right to demand such compensation, except that the Borrower will not be required to compensate the Lender pursuant to this Section 12.01 for any increased costs incurred or reductions suffered more than 270 days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor, unless the Change in Law giving rise to such increased costs or reductions is retroactive, in which case the 270-day period referred to above will be extended to include the period of retroactive effect thereof.

#### 12.02 Taxes

(1) If any Restricted Party or the Lender is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of an Restricted Party hereunder or under any other Loan Document, then (i) the sum payable will be increased by that Restricted Party when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Restricted Party will make any such deductions required to be made by it under Applicable Law and (iii) the Restricted Party will pay when due the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

(2) Without limiting the provisions of Section 12.02(1), the Borrower will timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(3) The Borrower will indemnify the Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such

payment or liability delivered to the Borrower by the Lender will be conclusive absent manifest error.

(4) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by an Restricted Party to a Governmental Authority, the Restricted Party will deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(5) If the Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which an Restricted Party has paid additional amounts pursuant to this Section 12.02 or that, because of the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it will pay to the Borrower or other Restricted Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or Restricted Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Lender and without interest (other than any net after-Tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or other Restricted Party as applicable, upon the request of the Lender, agrees to repay the amount paid over to the Borrower or other Restricted Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender if the Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph will not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.

#### 12.03 **Illegality**

If the Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Lender to make or maintain any Loan (or to maintain its obligation to make any Loan), or to issue or maintain any Letter of Credit (or to maintain its obligation to issue any Letter of Credit) to determine or charge interest rates based upon any particular rate, then, on notice thereof by the Lender to the Borrower, any obligation of the Lender with respect to the activity that is unlawful will be suspended until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower will, upon demand from the Lender, prepay or take any necessary steps with respect to any Letter of Credit in order to avoid the activity that is unlawful. Upon any such prepayment, the Borrower will also pay accrued interest on the amount so prepaid or converted.

#### 12.04 **Inability to Determine Rates, Etc.**

If the Lender determines that for any reason adequate and reasonable means do not exist for determining the CDOR for any requested Interest Period with respect to a proposed CDOR Loan, or that the CDOR for any requested Interest Period with respect to a proposed CDOR Loan does not adequately and fairly reflect the cost to the Lender of funding such Loan, the Lender

will promptly so notify the Borrower. Thereafter, the obligation of the Lender to make or maintain CDOR Loans will be suspended until the Lender revokes such notice. Upon receipt of such notice, the Borrower shall revoke any pending Drawdown Notice as it relates to a Drawdown or Rollover of a CDOR Loan.

12.05            **Indemnity by the Borrower**

(1)        The Borrower will indemnify the Lender and each Related Party of any the Lender (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Restricted Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Substance on or from any property owned or operated by any Restricted Party, or any liability under any Environmental Law related in any way to any Restricted Party, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by an Restricted Party and regardless of whether any Indemnitee is a party thereto, provided that such indemnity will not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Restricted Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Restricted Party has obtained a final and nonappealable judgment in its favour on such claim as determined by a court of competent jurisdiction, nor will an indemnity be available in respect of matters specifically addressed in Sections 12.01, 12.02 or 14.01.

(2)        To the fullest extent permitted by Applicable Law, the Restricted Party will not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee will be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(3)        All amounts due under Section 12.05(1) will be payable promptly after demand therefor. A certificate of the Lender setting forth the amount or amounts owing to the Lender or



Related Party, as the case may be, as specified in Section 12.05(1), including reasonable detail of the basis of calculation of the amount or amounts, that is delivered to the Borrower will be conclusive absent manifest error.

### ARTICLE 13 - GUARANTEE

#### 13.01 Guarantees and Indemnity

(1) Each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, guarantees payment of the Obligations to the Lender or LC Provider as applicable.

(2) If any or all of the Obligations are not duly paid and are not recoverable under Section 13.01(1) for any reason whatsoever, each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, will, as a separate and distinct obligation, indemnify and save harmless the Lender and each of them from and against any losses resulting from the failure of the Borrower to pay the Obligations.

(3) If any or all of the Obligations are not duly paid and are not recoverable under Section 13.01(1) or the Lender is not indemnified under Section 13.01(2), in each case, for any reason whatsoever, the Obligations will be recoverable jointly and severally from each of the Guarantors as primary obligor.

(4) Guarantor will provide the SBLCs required as Security pursuant to Section 10.01(f).

#### 13.02 Obligations Absolute

The liability of each Guarantor hereunder is absolute and unconditional and is not affected by:

- (a) any lack of validity or enforceability of this Agreement or any other Loan Document;
- (b) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of Governmental Authority;
- (c) the bankruptcy, winding up, liquidation, dissolution, arrangement, insolvency or other similar proceeding affecting the Borrower or any other Person, the amalgamation of or any change in the status, function, control or ownership of the Borrower, any Guarantor or any other Person;
- (d) any lack or limitation of power, incapacity or disability on the part of the Borrower or of the directors, partners or agents thereof or any other irregularity, defect or informality on the part of the Borrower in its Obligations; or
- (e) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of any or all of the Obligations.

13.03      **No Release**

The liability of each Guarantor hereunder is not released, discharged, limited or in any way affected by anything done, suffered or permitted by the Lender or any other Person in connection with any duties or liabilities of the Borrower to the Lender or any Security, including any loss of or in respect of any Security. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the liability of any Guarantor hereunder, without obtaining the consent of or giving notice to any Guarantor, the Lender may:

- (a)      discontinue, reduce, increase or otherwise vary the credit of the Borrower in any manner whatsoever;
- (b)      make any change in the time, manner or place of payment under, or in any other term of, any Loan Document or the failure on the part of the Borrower to carry out any of its obligations under any Loan Document;
- (c)      grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (d)      take or abstain from taking or enforcing the Security or from perfecting Security;
- (e)      accept compromises from the Borrower;
- (f)      apply all money at any time received from the Borrower or from the Security upon such part of the Obligations as the Lender may see fit or change any such application in whole or in part from time to time as each of them may see fit; and
- (g)      otherwise deal with the Borrower and all other Persons and the Security as the Lender may see fit.

13.04      **No Exhaustion of Remedies**

The Lender is not bound or obligated to exhaust its recourse against the Borrower or other Person or any Security it may hold, or take any other action before being entitled to demand payment from any Guarantor hereunder.

13.05      **Prima Facie Evidence**

Any account settled or stated in writing by or between the Lender and the Borrower will be prima facie evidence that the balance or amount thereof appearing due to the Lender is so due.

13.06      **No Set-Off**

In any claim by the Lender or any of them against any Guarantor, such Guarantor may not assert any set-off or counterclaim that either such Guarantor or the Borrower may have against the Lender.

13.07 **Continuing Guarantee**

The Obligations of each Guarantor hereunder will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Lender and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to any such Person. The Obligations of each Guarantor hereunder will continue to be effective even if at any time any payment of any of the Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the recipient of such payment upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

13.08 **Waivers by Guarantors**

Each Guarantor hereby irrevocably waives acceptance hereof, presentation, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Guarantor, the Borrower or any other Person.

13.09 **Demand**

Each Guarantor will make payment to the Lender of the full amount of the Obligations and all other amounts payable by it hereunder forthwith after demand therefor is made to it. Each Guarantor will also make payment to the Lender of all costs and expenses incurred by the Lender, the Lender or any of them in enforcing the provisions of this Article 13.

13.10 **Interest**

Each Guarantor will pay interest to the Lender at the rate *2% per annum* in excess of the rate required to be paid by the terms of this Agreement for amounts payable in Canadian Dollars on the unpaid portion of all amounts payable by such Guarantor hereunder, such interest to accrue from and including the date of demand on the Guarantor, and will be compounded monthly.

13.11 **Subrogation; Contribution**

No Guarantor will be entitled to subrogation or to contribution from the Borrower by reason of any payment hereunder until indefeasible payment in full of all Obligations of all Guarantors, and the termination of the Commitments. Thereafter, the Lender, at each Guarantor's request and expense, will execute and deliver to such Guarantor appropriate documents, without recourse and without representation and warranty, except as to the amount owing, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Obligations and any Security held therefor resulting from such payment by such Guarantors.

13.12 **Stay of Acceleration**

If acceleration of the payment of any Obligations payable by any Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Guarantor or otherwise, all such Obligations otherwise subject to acceleration under the laws of any Loan Document will nonetheless be payable by each other Guarantor herewith in accordance with the terms hereof.



## **ARTICLE 14- GENERAL**

### 14.01 **Costs and Expenses**

The Borrower will pay (i) all reasonable out-of-pocket expenses incurred by the Lender, including the reasonable fees, charges and disbursements of Lender's Counsel, in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby will be consummated), (ii) all reasonably out of pocket expenses incurred by the Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Lender including the reasonable fees, charges and disbursements of Lender's Counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section 14.01, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

### 14.02 **Governing Law, Jurisdiction, Etc.**

(1) This Agreement and each other Loan Document (unless otherwise specified in such Loan Document) will be governed by, and construed in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein.

(2) The Borrower irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province of Alberta and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. The Borrower agrees that a final judgment in any such action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document will affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(3) The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 14.02(2). The Borrower hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

### 14.03 **Judgment Currency**

(1) If for the purpose of obtaining or enforcing judgement against the Borrower in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 14.03 referred to as the "**Judgment Currency**") an

amount due in Canadian Dollars or United States Dollars under this Agreement, the conversion will be made at the rate of exchange prevailing on the Business Day immediately preceding

- (a) the date of actual payment of the amount due, in the case of any proceeding in the courts of any jurisdiction that will give effect to such conversion being made on such date, or
- (b) the date on which the judgement is given, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 14.03(1)(b) being hereinafter in this Section 14.03 referred to as the **“Judgment Conversion Date”**).

(2) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 14.03(1)(b), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the Borrower will pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian Dollars or United States Dollars, as the case may be, which could have been purchased with the amount of Judgment Currency stipulated in the judgement or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

(3) Any amount due from the Borrower under the provisions of Section 14.03(2) will be due as a separate debt and will not be affected by judgement being obtained for any other amounts due under or in respect of this Agreement.

- (4) The term “rate of exchange” in this Section 14.03 means:
  - (a) for a conversion of Canadian Dollars to the Judgment Currency, the reciprocal of the official noon rate of exchange published by the Bank of Canada for the date in question for the conversion of the Judgment Currency to Canadian Dollars;
  - (b) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is Canadian Dollars, the official noon rate of exchange published by the Bank of Canada for the date in question for the conversion of United States Dollars to Canadian Dollars;
  - (c) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is not Canadian Dollars, the effective rate obtained when a given amount of United States Dollars is converted to Canadian Dollars at the rate determined pursuant to Section 14.03(4)(b) and the result thereof is then converted to the Judgment Currency pursuant to Section 14.03(4)(a); or
  - (d) if a required rate is not so published by the Bank of Canada for any such date, the spot rate quoted by the Lender at approximately noon (Toronto time) on that date in accordance with its normal practice for the applicable currency conversion in the wholesale market.

14.04 **Confidentiality**

(1) The Lender agrees to maintain the confidentiality of the Information (as defined in Section 14.04(2) below), except that Information may be disclosed (a) to its Affiliates and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority), (c) to the extent required by Applicable Law or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 14.04(1), to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap, derivative, credit-linked note or similar transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 14.04(1) or (y) becomes available to the Lender on a non-confidential basis from a source other than the Borrower.

(2) For purposes of this Section, "Information" means all information received in connection with this Agreement from the Borrower relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Lender on a non-confidential basis prior to such receipt. Any Person required to maintain the confidentiality of Information as provided in Section 14.04(1) will 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 to its own confidential information.

14.05 **Benefit and Burden of Agreement**

This Agreement will be binding upon the Borrower and its successors. This Agreement will enure to the benefit of and will be binding upon the Lender and its successors and assigns.

14.06 **No Assignment by the Borrower**

The rights and benefits of the Borrower hereunder may not be assigned by the Borrower.

14.07 **Assignment or Participation by Lender**

(1) The rights, benefits and obligations of the Lender under or in respect of this Agreement (the "**Rights**") may, in whole or in part (subject to, prior to the occurrence of an Event of Default, a minimum amount of \$20,000,000), be assigned ("**Assign**", "**Assigned**" or an "**Assignment**") by the Lender with one or more Persons (each an "**Assignee**", as the case may be), subject to the prior written consent of the Borrower, which consent will not be unreasonably

withheld or delayed. The Rights may, in whole or in part, be or participated (“**Participated**” or a “**Participation**”) to a participant (a “**Participant**”) at any time, or Assigned by the Lender with one or more Participants or Assignees if an Event of Default has occurred and is continuing, each without notice to or the consent of the Borrower. An Assignment or Participation hereunder that requires the consent of the Borrower will become effective upon receipt by the Lender of the written consent of the Borrower. An Assignment or Participation that does not require the consent of or notice to the Borrower will become effective upon execution of the applicable documentation by the Lender, as applicable, and the Participant or Assignee, as the case may be. The Borrower will execute all such further documentation as the Lender may request with respect to any Assignment or Participation and any prospective Assignee will execute such documentation as the Borrower may reasonably request for the purpose of ensuring that the Assignee is bound by the terms of this Agreement.

(2) Any Assignee of Rights will be and be treated in respect of such Rights as if it were the Lender for all purposes of this Agreement, will be entitled to the benefit hereof, and will be subject to the obligations of the Lender in respect of such Rights, to the same extent as if it were an original party in respect of the Rights and the Lender assigning such Rights will be released and discharged from its obligations hereunder in respect of such Rights. To the extent that the Rights are the subject of a Participation, all references in this Agreement to the Lender will, with respect to such Rights that are subject to the Participation, continue to be construed as a reference to the Lender, and the Borrower will be entitled to deal with the Lender as if it were the sole owner of the Rights and the Lender will not be released from obligations hereunder by virtue of the Participation. The Borrower acknowledges and agrees that the Lender will be entitled, in its own name, to enforce for the benefit of, or as agent for, any Participants, any and all rights, claims and interests of such Participants, in respect of the Rights and that Participants will not be entitled to demand payment or exercise any other right or remedy pursuant hereto.

(3) For the purposes of any Assignment or Participation hereunder, the Lender may disclose on a confidential basis to a potential Assignee or Participant such information about the Borrower as the Lender may see fit, provided that such potential Assignee or Participant has executed a confidentiality agreement in favour of the Lender.

#### 14.08 Notices

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient at the address or telecopier number set forth on the signature pages to this Agreement, or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof or, if given by registered mail, on the third Business Day following the deposit thereof in the mail or, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system



that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

14.09            **Effect of Assignment**

For greater certainty, an assignment by the Lender of its rights hereunder will not constitute a repayment, discharge, rescission, extinguishment or novation of any Loan or interest therein, and the obligations so assigned shall continue to be the same obligations and not new obligations.

14.10            **Survival**

The provisions of Section 12.05 and 14.01 will survive the repayment of all Loans and all obligations with respect to Letters of Credit, whether on account of principal, interest or fees, and the termination of this Agreement, unless a specific release of such provisions by the Lender is delivered to the Borrower.

14.11            **Severability**

If any provision of this Agreement is determined by any court of competent jurisdiction to be illegal or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either of the parties.

14.12            **Further Assurances**

The Borrower and the Lender will promptly cure any default by it in the execution and delivery of this Agreement, the Loan Documents or of any the agreements provided for hereunder to which it is a party. The Borrower, at its expense, will promptly execute and deliver to the Lender, upon request by the Lender, all such other and further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the Borrower hereunder or more fully to state the obligations of the Borrower as set forth herein or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

14.13            **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Borrower and the Lender. No waiver of any breach of any provision of this Agreement and no consent required hereunder will be effective or binding unless made in writing and signed by the party purporting to give the same. Unless otherwise provided, any waiver or consent given hereunder will be limited to the specific breach waived or matter consented to, as the case may be, and may be subject to such conditions as the party giving such waiver or consent considers appropriate.

14.14 **Time of the Essence**

Time is of the essence of this Agreement.

14.15 **Acknowledgement and Consent to Bail-In of EEA Financial Institutions.**

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[Signature pages follow]



IN WITNESS WHEREOF the parties have executed this Agreement.

**BORROWER:**

Address: Livingston Place  
West Tower  
Suite 40, 250 – 2  
Street SW  
Calgary, AB  
T2P 0C1

**LONG RUN EXPLORATION LTD.**

Attention: Chief Executive  
Officer

Facsimile No.: (403) 262-5561

By: 

\_\_\_\_\_  
Name: Yingchun Wu  
Title: Director

**GUARANTOR:**

Address: 1500, 444 5<sup>th</sup>  
Avenue SW  
Calgary, AB  
T2P 2T8

**CALGARY SINOENERGY INVESTMENT  
CORP.**

Attention: Chief Executive  
Officer

By: 

\_\_\_\_\_  
Name: Yingchun Wu  
Title: Director

*[Signature Page to the Credit Agreement]*

**LENDER:**

Address: 3650 – 181 Bay  
Street  
Toronto, ON  
M5J 2T3

**CHINA CONSTRUCTION BANK  
TORONTO BRANCH**

Attention: \_\_\_\_\_

Facsimile No.: (647) 777-7739

By:  \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

*[Signature page to the Credit Agreement.]*

**Schedule A**

**Commitments**

**Commitments**

---

<b>Revolving Term Facility</b>	<b>Non-Revolving Term Facility</b>	<b>Total Commitment</b>
Cdn. \$35,000,000	Cdn. \$396,000,000	Cdn. \$431,000,000

Schedule 1.01(A)

Compliance Certificate

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the “**Borrower**”)

DATE: ●

This Compliance Certificate is delivered to you pursuant to Section 9.03(3) of the credit agreement made as of ● between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the “**Credit Agreement**”). All terms used in this Compliance Certificate that are defined in the Credit Agreement have the same meanings herein.

I, [name], the [title] of the Borrower, certify for and on behalf of the Borrower, and not in my personal capacity and without personal liability whatsoever, that:

1. Representations and Warranties All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct on and as of the date hereof as though made on and as of the date hereof unless varied as contemplated in Section 8.02.
2. Terms, Covenants and Conditions All of the terms, covenants and conditions of the Credit Agreement and each of the other Loan Documents to be performed or complied with by the Borrower at or prior to the date hereof have been performed or complied with.
3. Default No Default or Event of Default has occurred and is continuing on the date hereof.
4. Financial Statements Attached hereto are the financial statements of most recent date referred to in Sections 9.03(1) and (2) of the Credit Agreement.
5. Debt Debt as at \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.
6. EBITDA Consolidated EBITDA for the four fiscal quarters ended \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.
7. Financial Covenant Compliance
  - A. Consolidated Senior Debt to EBITDA Ratio

	<u>Quarter Ending</u>	<u>Maximum Permitted Ratio</u>	<u>Actual Ratio</u>
	•	•	•
A.	Consolidated Total Debt to EBITDA Ratio		

	<u>Quarter Ending</u>	<u>Maximum Permitted Ratio</u>	<u>Actual Ratio</u>
	•	•	•
B.	Interest Coverage Ratio		

	<u>Quarter Ending</u>	<u>Maximum Permitted Ratio</u>	<u>Actual Ratio</u>
	•	•	•
C.	Asset Change		

	<u>Quarter Ending</u>	<u>Maximum Permitted Ratio</u>	<u>Actual Ratio</u>
	•	•	•

Schedule 1.01(B)

Environmental Certificate

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the “**Borrower**”)

DATE: •

This Environmental Certificate is delivered to you pursuant to Section 9.03(3) of the credit agreement made as of • between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the “**Credit Agreement**”). All terms used in this Environmental Certificate that are defined in the Credit Agreement have the same meanings herein.

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 and without assuming any personal liability whatsoever:

1. The following certifications in sections 3 to 9 are made to my knowledge after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Borrower to confirm that the internal environmental reporting and response procedures of the Borrower 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 Borrower 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 a Governmental Authority by the Borrower, or of which the Borrower is otherwise aware, with respect to any alleged violation of or alleged liability under any Environmental Laws by the Borrower; or



- (b) stop, cleanup or preventative orders, direction or action requests, notice of which has been received from a Governmental Authority by the Borrower or which the Borrower is 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 the Borrower.
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 the Borrower.
  6. None of the lands and facilities owned, leased, managed, controlled or operated by the Borrower, 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 the Borrower, 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 Borrower has obtained all permits, licenses and other authorizations (collectively the "**Permits**") except where not obtaining a Permit could not constitute or be reasonably be expected to constitute or cause a Material Adverse Effect, which are required under Environmental Laws and are in compliance, except where non-compliance could not constitute or be reasonably be expected to constitute or cause a Material Adverse Effect, 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 Borrower is not aware of any matter affecting the Environment which has had or could reasonably be expected to have a Material Adverse Effect.

**DATED** effective the date and year first above written.

**LONG RUN EXPLORATION LTD.**

Per:

Name: [ ]

Title: [ ]

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**Schedule 1.01(C)**

**Drawdown Notice**

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: ●

---

1. This Drawdown Notice is delivered pursuant to the credit agreement made as of ●, between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Drawdown Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby requests the following Loan(s) and Letter(s) of Credit:

(a) Drawdown Date: \_\_\_\_\_

(b) Type of Credit Facility:

Revolving Term Facility

or

Non-Revolving Term Facility

(c) Type and Amount of each Loan (check appropriate boxes)

Amount

( ) CDOR Loan:

Amount

Term in Months

Cdn. \$ \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. **Representations and Warranties** All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct on and as of the date hereof as though made on and as of the date hereof unless varied as contemplated in Section 8.02.

4. All of the conditions precedent to the Loan(s) and Letter(s) of Credit requested hereby that have not been properly waived in writing by the Lender has been satisfied.

5. No Default or Event of Default has occurred and is continuing or will have occurred and be continuing on the Drawdown Date, or will result from the Loan(s) and Letter(s) of Credit requested hereby.

**LONG RUN EXPLORATION**

By: \_\_\_\_\_  
Name:  
Title:

**Schedule 1.01(E)**

**Additional Permitted Encumbrances**

Schedule 1.01(F)

**Relevant Jurisdictions**

ALBERTA  
SASKATCHEWAN

Schedule 1.01(G)

Repayment Notice

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: ●

---

1. This Repayment Notice is delivered pursuant to [Section 6.04] [or] [Section 6.05] of the credit agreement made as of ●, between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Repayment Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby gives you notice that it intends to repay [[Cdn. \$●] under the **Non-Revolving Term Facility, such amount being the Net Proceeds from [describe Disposition]] or [repay [Cdn. \$●] under the Non-Revolving Term Facility on [date which must be at least 5 Business Days after the delivery of this Notice]].**

3. The amount of such repayment will, subject to the provisions of the Credit Agreement, be used to repay Loans of the following type:

<u>Loan Type</u>	<u>Principal Amount</u>
------------------	-------------------------

●

●

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_  
Name:  
Title:



Schedule 1.01(H)

Rollover Notice

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: ●

---

1. This Rollover Notice is delivered pursuant to the credit agreement made as of ●, between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All capitalized terms used in this Rollover Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby requests the Rollover of the following Loan(s):

(a) Rollover Date: \_\_\_\_\_

(b) Type of Credit Facility:

Revolving Term Facility

or

Non-Revolving Term Facility

(c) Type and Amount of each Loan (check appropriate boxes)

( ) CDOR Loan:

	<u>Amount</u>	<u>Term in Months</u>
Cdn. \$	_____	_____
	_____	_____
	_____	_____

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_

Name:

Title:

**Schedule 8.01(17)**

**Ownership Structure**

SEE ATTACHED

Schedule 8.01(17)

Ownership Structure

<b>Legal Name</b>	<b>Jurisdiction of Incorporation or Formation</b>	<b>Location of Chief Executive Office</b>	<b>Location of Business and Assets</b>	<b>Ownership of Issued Voting Securities</b>	<b>Designation</b>
Long Run Exploration Ltd.	Alberta	400, 250 – 2 <sup>nd</sup> Street SW, Calgary, Alberta	Alberta and Saskatchewan	100% common shares held by Calgary Sinoenergy Investment Corp.	Borrower
Calgary Sinoenergy Investment Corp.	Alberta	Suite 1500, 444 – 5 <sup>th</sup> Avenue SW, Calgary AB	Alberta	Sinoenergy Oil Investment Ltd.	Guarantor

**Schedule 8.01(21)**

**Intellectual Property Rights**

NIL

**Schedule 8.01(25)**

**Pension Plan Disclosure**

NIL

**WAIVER AND FIRST AMENDING AGREEMENT**

THIS AGREEMENT is made effective as of November 15<sup>th</sup>, 2018

BETWEEN:

**LONG RUN EXPLORATION LTD.**, a corporation incorporated under the laws of the Province of Alberta, Canada (hereinafter referred to as the "**Borrower**"),

OF THE FIRST PART,

- and -

**CALGARY SINOENERGY INVESTMENT CORP.**, a corporation incorporated under the laws of the Province of Alberta, Canada (hereinafter referred to as the "**Guarantor**"),

OF THE SECOND PART,

- and -

**CHINA CONSTRUCTION BANK TORONTO BRANCH**, a Schedule III bank (hereinafter referred to as the "**Lender**"),

OF THE THIRD PART.

WHEREAS Section 9.02(1)(b) of the Credit Agreement provides that, as at the end of each Fiscal Quarter during the period commencing on March 31, 2018 and ending on December 31, 2018, the Consolidated Senior Debt to EBITDA Ratio will not exceed 4.00:1.00;

AND WHEREAS the Consolidated Senior Debt to EBITDA Ratio was greater than 4.00:1.00 as at the end of the Fiscal Quarters ending June 30, 2018 (the "**Q2 Financial Covenant Default**") and September 30, 2018 (the "**Q3 Financial Covenant Default**" and together with the Q2 Financial Covenant Default, collectively, the "**Financial Covenant Defaults**");

AND WHEREAS Section 9.04(5) of the Credit Agreement provides that the Borrower will not, and will ensure that each Restricted Party will not, give any Financial Assistance;

AND WHEREAS pursuant to a loan facility agreement dated July 16, 2018 between the Borrower and East River Oil and Gas Ltd. ("**East River**"), the Borrower provided a short-term loan (the "**East River Loan**") to East River in the amount of Cdn.\$18,000,000 (the "**Financial Assistance Default**");

AND WHEREAS Section 11.01(c) of the Credit Agreement provides that, unless waived by the Lender, a breach by the Borrower of any covenant set forth in Section 9.02 or 9.04 of the Credit Agreement shall constitute an Event of Default if such breach continues for a period exceeding one Fiscal Quarter from the date of such breach and therefore under the Credit Agreement: (a) the Q2 Financial Covenant Default has caused an Event of Default, (b) the Financial Assistance Default has caused an Event of Default (the "**Financial Assistance Event of Default**"), and (c) the Q3 Financial Covenant Default is expected to cause an Event of Default (collectively, the "**Specified Events of Default**");



AND WHEREAS the Borrower has requested that the Lender waive the Specified Events of Default;

AND WHEREAS the Lender has agreed to waive the Specified Events of Default on the terms and conditions hereinafter set forth;

AND WHEREAS the parties hereto have agreed to amend certain provisions of the Credit Agreement as hereinafter set forth;

AND WHEREAS the parties hereto have agreed to proceed with an amendment and restatement of the Credit Agreement (as amended by this First Amending Agreement) with closing to occur before the end of January 2019 with the objective of implementing a structure that is more appropriate for the Borrower's current financial condition, current industry conditions and the Lender's expectations for sustainable repayment arrangements;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows:

**1. Interpretation**

1.1. In this First Amending Agreement and the recitals hereto, unless something in the subject matter or context is inconsistent therewith:

"**Credit Agreement**" means the credit agreement made as of January 31, 2017 between the Borrower, the Guarantor and the Lender.

"**First Amending Agreement**" means this waiver and first amending agreement, as amended, modified, supplemented or restated from time to time.

1.2. Capitalized terms used herein without express definition shall have the same meanings herein as are ascribed thereto in the Credit Agreement.

1.3. The division of this First Amending Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this First Amending Agreement. Unless the context otherwise requires, references herein to "Sections" are to Sections of this First Amending Agreement. The terms "this First Amending Agreement", "hereof", "hereunder" and similar expressions refer to this First Amending Agreement and not to any particular Section or other portion hereof and include any agreements supplemental hereto.

1.4. This First Amending Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

## 2. Amendments

### 2.1. *Amendments to Existing Definitions.*

- (a) The definition of "Affiliate" contained in Section 1.01 of the Credit Agreement is hereby deleted in its entirety replaced with the following:

"**Affiliate**" means, with respect to a specified Person, (i) another Person that directly, or indirectly through one of more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, (ii) any officer or director of such Person, or (iii) an entity in respect of which such Person, or any officer or director thereof, holds, directly or indirectly, more than 10% of the equity interests having ordinary voting power for the election of directors or other governing body of such entity.

### 2.2. *Amendments to Certain Sections of the Credit Agreement.*

- (a) Section 9.01 of the Credit Agreement is hereby amended to add the following new paragraphs "(21)" and "(22)" immediately after the existing paragraph "(20)" as follows:

"(21) Disbursement Account. On or before December 1, 2018, (a) make commercially reasonable efforts to establish a revenue collection and expense disbursement account with the Lender (the "**Disbursement Account**"), and (b) in respect of each of the Borrower's bank accounts other than the Disbursement Account (the "**Other Accounts**"), make commercially reasonable efforts to enter into deposit account control agreements (each in form and substance satisfactory to the Lender in its sole discretion), with the Lender and each bank which maintains an Other Account, which shall provide for, *inter alia*, all cash received from any source in the Other Accounts to be swept on a daily basis and be deposited into the Disbursement Account. To the extent the Disbursement Account and such deposit account control agreements are established or obtained, respectively, the Lender will, on a monthly basis, or more frequently if agreed to by the Lender, disburse to an operating account of the Borrower reasonable amounts requested by the Borrower and supported by the budget of the Borrower and other documents requested by the Lender, for the purpose of paying the Borrower's cash expenses for the 30 day period following any such request.

(22) Collection of Accounts. Collect all accounts receivables from its Affiliates in full and in a timely manner with no forbearance or forgiveness of contractual terms; for certainty, the Borrower will not convert any such obligation to equity or any other consideration."

- (b) Section 9.04 of the Credit Agreement is hereby amended to add the following new paragraphs "(18)" and "(19)" immediately after the existing paragraph "(17)" as follows:

"(18) Transactions With Affiliates. Enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with any of its Affiliates, or enter into, assume or suffer to exist any agreement or arrangement with any such Affiliate, except a transaction or agreement or arrangement which is upon fair and reasonable terms not materially less favourable to the applicable Restricted Party than it would obtain in a comparable arms-length transaction; for certainty, such restriction will apply to any transaction between the Restricted Parties. On request from the Lender, the Borrower shall provide details and documentation, satisfactory to the Lender in its sole

discretion, in respect of any transaction, agreement or arrangement between a Restricted Party and any of its Affiliates.

(19) Conversion or Amendment or Collection of East River Loan. (i) Elect to convert the East River Loan into common equity or otherwise reduce the cash amount payable in any way, (ii) amend or extend the East River Loan in any way so as to cause it to not be fully due and payable on or before December 31, 2018, and (iii) fail to use all commercially reasonable efforts (including, without limitation, selling the East River Loan to a third party), to collect repayment in full of the East River Loan at its earliest opportunity, and in any event, on or before March 31, 2019."

(c) Section 11.01(c) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"(c) if the Borrower breaches any of the covenants in Section 9.02 or Section 9.04;"

3. **Financial Covenant Reporting re: 2018 Fiscal Year.**

(a) In addition to the other reporting requirements set forth in Section 9.03 of the Credit Agreement, within 30 days after the end of the 2018 fiscal year, the Borrower shall provide the Lender with a draft Compliance Certificate based on the most current information available to the Borrower at such time (the "**Draft Compliance Certificate**") together with such documents and information in support of the calculations therein that the Lender may request.

(b) An automatic Event of Default under the Credit Agreement, as amended by this First Amending Agreement shall occur if: (i) the Borrower fails to comply with the foregoing requirement in paragraph (a) above, or (ii) the Draft Compliance Certificate demonstrates a breach of Section 9.02 of the Credit Agreement.

4. **Waiver**

The Lender hereby waives the Specified Events of Default (collectively, the "**Waiver**"); provided that:

(a) the Waiver is limited solely to and shall be effective only with respect to the Specified Events of Default;

(b) the Waiver of the Financial Assistance Event of Default shall only be effective until December 31, 2018; and

(c) except as expressly provided herein and for the limited purposes herein, nothing contained herein shall waive, limit or affect: (i) any security for the payment and performance of the Obligations; or (ii) any provision of the Credit Agreement or the other Loan Documents, all of which continue in full force and effect.

5. **Acknowledgement and Agreement**

Each of the Borrower and the Guarantor hereby acknowledges and agrees that:

- (a) the Waiver is limited solely to and shall be effective only with respect to the Specified Events of Default;
- (b) the Waiver of the Financial Assistance Event of Default shall only be effective until December 31, 2018; and
- (c) except as expressly provided herein and for the limited purposes herein, nothing contained herein shall waive, limit or affect: (i) any security for the payment and performance of the Obligations; or (ii) any provision of the Credit Agreement or the other Loan Documents, all of which continue in full force and effect.

**6. Representations and Warranties**

Each of the Borrower and the Guarantor hereby represents and warrants as follows to the Lender and acknowledges and confirms that the Lender is relying upon such representations and warranties:

(a) ***Capacity, Power and Authority***

- (i) It is duly incorporated, amalgamated or formed, as the case may be, and is validly subsisting under the laws of its governing jurisdiction and has all the requisite corporate capacity, power and authority to carry on its business as presently conducted and to own its property; and
- (ii) It has the requisite corporate capacity, power and authority to execute and deliver this First Amending Agreement.

(b) ***Authorization; Enforceability***

It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered, this First Amending Agreement, and this First Amending Agreement is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, winding up, insolvency, moratorium or other laws of general application affecting the enforcement of creditors' rights generally and to the equitable and statutory powers of the courts having jurisdiction with respect thereto.

(c) ***Compliance with Other Instruments***

The execution, delivery and performance by it of this First Amending Agreement and the consummation of the transactions contemplated herein do not conflict with, result in any breach or violation of, or constitute a default under, the terms, conditions or provisions of its articles, by-laws or other constating documents or any unanimous shareholder agreement or its partnership agreement or trust indenture, as the case may be, relating to it, or of any law, regulation, judgment, decree or order binding on or applicable to it or to which its property is subject or of any material agreement, lease, licence, permit or other instrument to which it or any of its Subsidiaries is a party or is otherwise bound or by which any of them benefits or to which any of their property is subject and do not require the consent or approval of any Governmental Authority or any other party (except such as has already been obtained and are in full force and effect).

(d) ***Credit Agreement Representations and Warranties***

Each of the representations and warranties of the Restricted Parties set forth in Section 8.1 of the Credit Agreement is true and accurate in all respects as of the date hereof, other than the representation and warranty contained in Section 8.1(16) of the Credit Agreement in respect of the Specified Events of Default (which upon the effectiveness of this First Amending Agreement will have been waived on the terms and conditions set forth herein).

(e) ***No Default***

Other than the Specified Events of Default (which upon the effectiveness of this First Amending Agreement will have been waived on the terms and conditions set forth herein), no Default or Event of Default has occurred or is continuing.

The representations and warranties set out in this First Amending Agreement shall survive the execution and delivery of this First Amending Agreement and the making of each drawdown under the Credit Agreement, notwithstanding any investigations or examinations which may be made by or on behalf of the Lender or its counsel. Such representations and warranties shall survive until the Credit Agreement has been terminated.

**7. Conditions Precedent**

The amendments to the Credit Agreement contained herein and the Waiver shall, in each case, be effective upon, and shall be subject to, the satisfaction of the following conditions precedent:

- (a) the Borrower and each Guarantor shall have executed and delivered to the Lender this First Amending Agreement;
- (b) the Borrower shall have paid all legal fees and disbursements of legal counsel to the Lender; provided that, the Borrower hereby authorizes the Lender to deduct such fees and disbursements from the Disbursement Account if any fees or disbursements remain unpaid on December 1, 2018; and
- (c) except for the Specified Events of Default, no Default or Event of Default shall have occurred and be continuing.

The foregoing conditions precedent are inserted for the sole benefit of the Lender and may be waived in writing by the Lender, in whole or in part (with or without terms and conditions).

**8. Confirmation of Credit Agreement and other Loan Documents**

The Credit Agreement and the other Loan Documents to which the Borrower and the Guarantor are a party, as applicable, and all covenants, terms and provisions thereof, except as expressly amended by this First Amending Agreement, shall be and continue to be in full force and effect and the Credit Agreement, as amended by this First Amending Agreement and each of the other Loan Documents to which the Borrower and the Guarantor are a party, as applicable, is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended, with such amendments being effective from and as of the date hereof upon satisfaction of the conditions precedent set forth in Section 7 hereof.

**9. Further Assurances**

The Restricted Parties shall from time to time do all such further acts and things and execute and deliver all such documents as are required by the Lender (acting reasonably) in order to effect the full intent of and fully perform and carry out the terms of this First Amending Agreement.

**10. Enurement**

This First Amending Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

**11. Counterparts**

This First Amending Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this First Amending Agreement to produce or account for more than one such counterpart. Such executed counterparts may be delivered by facsimile or other electronic transmission and, when so delivered, shall constitute a binding agreement of the parties hereto.

*[Remainder of Page Intentionally Left Blank]*



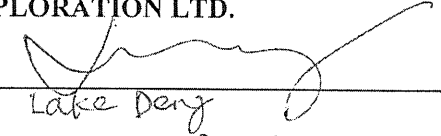
IN WITNESS WHEREOF the parties hereto have executed this First Amending Agreement.

**BORROWER:**

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_

Name:



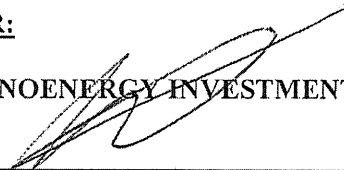
Title:

Executive Director

**GUARANTOR:**

**CALGARY SINOENERGY INVESTMENT CORP.**

By:

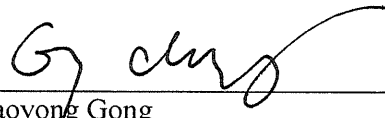


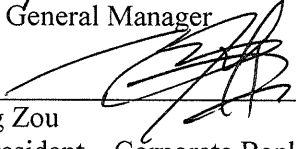
---

Name: Michael Lam  
Title: VP - Finance.

**LENDER:**

**CHINA CONSTRUCTION BANK TORONTO  
BRANCH**

By:   
Name: Chaoyong Gong  
Title: Deputy General Manager

By:   
Name: Ziqing Zou  
Title: Vice President – Corporate Banking

**WAIVER AND SECOND AMENDING AGREEMENT**

THIS AGREEMENT is made effective as of November 30, 2018

BETWEEN:

**LONG RUN EXPLORATION LTD.**, a corporation incorporated under the laws of the Province of Alberta, Canada (hereinafter referred to as the "**Borrower**"),

OF THE FIRST PART,

- and -

**CALGARY SINOENERGY INVESTMENT CORP.**, a corporation incorporated under the laws of the Province of Alberta, Canada (hereinafter referred to as the "**Guarantor**"),

OF THE SECOND PART,

- and -

**CHINA CONSTRUCTION BANK TORONTO BRANCH**, a Schedule III bank (hereinafter referred to as the "**Lender**"),

OF THE THIRD PART.

WHEREAS the parties hereto entered into the First Amending Agreement pursuant to which, *inter alia*, the Lender agreed to waive the Financial Assistance Event of Default until December 31, 2018 on the terms and conditions set forth therein;

AND WHEREAS the Borrower has requested that the Lender waive the Financial Assistance Event of Default until March 31, 2019;

AND WHEREAS the Lender has agreed to waive the Financial Assistance Event of Default until March 31, 2019 on the terms and conditions hereinafter set forth;

AND WHEREAS the parties hereto have agreed to amend certain provisions of the Credit Agreement as hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows:

**1. Interpretation**

1.1. In this Second Amending Agreement and the recitals hereto, unless something in the subject matter or context is inconsistent therewith:

"**Credit Agreement**" means the credit agreement made as of January 31, 2017 between the Borrower, the Guarantor and the Lender, as amended by a waiver and first amending agreement made effective as of November 15, 2018 (the "**First Amending Agreement**").

"**Financial Assistance Event of Default**" has the meaning ascribed to such term in the First Amending Agreement.

"**First Amending Agreement**" has the meaning ascribed to such term in the definition of "Credit Agreement" herein.

"**Second Amending Agreement**" means this waiver and second amending agreement, as amended, modified, supplemented or restated from time to time.

1.2. Capitalized terms used herein without express definition shall have the same meanings herein as are ascribed thereto in the Credit Agreement.

1.3. The division of this Second Amending Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Second Amending Agreement. Unless the context otherwise requires, references herein to "Sections" are to Sections of this Second Amending Agreement. The terms "this Second Amending Agreement", "hereof", "hereunder" and similar expressions refer to this Second Amending Agreement and not to any particular Section or other portion hereof and include any agreements supplemental hereto.

1.4. This Second Amending Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

## 2. Amendments

2.1. *Addition of New Definition.* The following new defined term is hereby added to Section 1.01 of the Credit Agreement in its proper alphabetical order:

"**BNS Accounts**" means, collectively, the accounts established by the Borrower with The Bank of Nova Scotia as previously disclosed in writing to the Lender, or, in each case, any account in substitution therefor that may be agreed to in writing by the Lender in its sole discretion.

### 2.2. *Amendments to Certain Sections of the Credit Agreement.*

(a) Section 9.01(21) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"(21) Disbursement Account.

(a) On or before December 21, 2018, in respect of each of the Borrower's bank accounts other than the Disbursement Account (as defined below) (the "**Other Accounts**", and, for certainty, the Other Accounts shall include the BNS Accounts), make commercially reasonable efforts to enter into deposit account control agreements (each in form and substance satisfactory to the Lender in its sole discretion), with the Lender and each bank which maintains an Other Account. The Lender is authorized by the Borrower to, at any time, whether or not a Default or Event of Default has occurred or is continuing, issue a "Trigger Notice" or otherwise take control of the

Other Accounts. The Lender shall provide a copy of any such issued "Trigger Notice" forthwith to the Borrower.

- (b) Other than any CCB Disbursements (as defined below) received in the BNS Accounts, on a periodic basis as required by the Lender, acting reasonably, the Borrower shall deposit or cause to be deposited to the revenue collection and expense disbursement account established by the Borrower with the Lender (the "Disbursement Account") all revenues, receipts, monies and proceeds and other sums of any nature received (or to be received) by or payable (or become payable) to the Borrower or which are received from any source in any Other Account.
  - (c) The Lender agrees, provided that no Default or Event of Default has occurred or is continuing (other than those which have been waived in writing by the Lender), on a monthly basis, or more frequently (including, for certainty, for emergency requests for disbursements, which emergency disbursements shall be funded by the Lender within one day of such request) if agreed to by the Lender, to disburse to the BNS Accounts, within 3 Business Days, reasonable amounts requested by the Borrower and supported by the budget of the Borrower, an itemized and quantified list of payables and such other documents requested by the Lender, for the purpose of paying the Borrower's verifiable and necessary cash expenses, including a reasonable contingency for unbudgeted expenses, for the 30 day period following any such request (the "CCB Disbursements").
  - (d) The Borrower shall on a best efforts basis, and in any event within 45 days, cause all of its account debtors to directly remit all payments on accounts to the Disbursement Account."
- (b) Section 11.01(c) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:
- "(c) if the Borrower breaches any of the covenants in Sections 9.01(21), 9.01(22), 9.02 or 9.04;"

### 3. Waiver

The Lender hereby waives the Financial Assistance Event of Default (the "Waiver"); provided that:

- (a) the Waiver is limited solely to and shall be effective only with respect to the Financial Assistance Event of Default;
- (b) the Waiver of the Financial Assistance Event of Default shall only be effective until March 31, 2019; and
- (c) except as expressly provided herein and for the limited purposes herein, nothing contained herein shall waive, limit or affect: (i) any security for the payment and performance of the Obligations; or (ii) any provision of the Credit Agreement or the other Loan Documents, all of which continue in full force and effect.



4. **Acknowledgement and Agreement**

Each of the Borrower and the Guarantor hereby acknowledges and agrees that:

- (a) the Waiver is limited solely to and shall be effective only with respect to the Financial Assistance Event of Default;
- (b) the Waiver of the Financial Assistance Event of Default shall only be effective until March 31, 2019; and
- (c) except as expressly provided herein and for the limited purposes herein, nothing contained herein shall waive, limit or affect: (i) any security for the payment and performance of the Obligations; or (ii) any provision of the Credit Agreement or the other Loan Documents, all of which continue in full force and effect.

5. **Representations and Warranties**

Each of the Borrower and the Guarantor hereby represents and warrants as follows to the Lender and acknowledges and confirms that the Lender is relying upon such representations and warranties:

(a) ***Capacity, Power and Authority***

- (i) It is duly incorporated, amalgamated or formed, as the case may be, and is validly subsisting under the laws of its governing jurisdiction and has all the requisite corporate capacity, power and authority to carry on its business as presently conducted and to own its property; and
- (ii) It has the requisite corporate capacity, power and authority to execute and deliver this Second Amending Agreement.

(b) ***Authorization; Enforceability***

It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered, this Second Amending Agreement, and this Second Amending Agreement is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, winding up, insolvency, moratorium or other laws of general application affecting the enforcement of creditors' rights generally and to the equitable and statutory powers of the courts having jurisdiction with respect thereto.

(c) ***Compliance with Other Instruments***

The execution, delivery and performance by it of this Second Amending Agreement and the consummation of the transactions contemplated herein do not conflict with, result in any breach or violation of, or constitute a default under, the terms, conditions or provisions of its articles, by-laws or other constating documents or any unanimous shareholder agreement or its partnership agreement or trust indenture, as the case may be, relating to it, or of any law, regulation, judgment, decree or order binding on or applicable to it or to which its property is subject or of any material agreement, lease, licence, permit or other instrument to which it or any of its Subsidiaries is a party or is

otherwise bound or by which any of them benefits or to which any of their property is subject and do not require the consent or approval of any Governmental Authority or any other party (except such as has already been obtained and are in full force and effect).

(d) ***Credit Agreement Representations and Warranties***

Each of the representations and warranties of the Restricted Parties set forth in Section 8.1 of the Credit Agreement is true and accurate in all respects as of the date hereof.

(e) ***No Default***

Other than those previously waived in writing by the Lender, no Default or Event of Default has occurred or is continuing.

The representations and warranties set out in this Second Amending Agreement shall survive the execution and delivery of this Second Amending Agreement and the making of each drawdown under the Credit Agreement, notwithstanding any investigations or examinations which may be made by or on behalf of the Lender or its counsel. Such representations and warranties shall survive until the Credit Agreement has been terminated.

6. **Conditions Precedent**

The amendments to the Credit Agreement contained herein and the Waiver shall, in each case, be effective upon, and shall be subject to, the satisfaction of the following conditions precedent:

- (a) the Borrower and each Guarantor shall have executed and delivered to the Lender this Second Amending Agreement; and
- (b) other than those previously waived in writing by the Lender, no Default or Event of Default shall have occurred and be continuing.

The foregoing conditions precedent are inserted for the sole benefit of the Lender and may be waived in writing by the Lender, in whole or in part (with or without terms and conditions).

7. **Confirmation of Credit Agreement and other Loan Documents**

The Credit Agreement and the other Loan Documents to which the Borrower and the Guarantor are a party, as applicable, and all covenants, terms and provisions thereof, except as expressly amended by this Second Amending Agreement, shall be and continue to be in full force and effect and the Credit Agreement, as amended by this Second Amending Agreement and each of the other Loan Documents to which the Borrower and the Guarantor are a party, as applicable, is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended, with such amendments being effective from and as of the date hereof upon satisfaction of the conditions precedent set forth in Section 6 hereof.

8. **Further Assurances**

The Restricted Parties shall from time to time do all such further acts and things and execute and deliver all such documents as are required by the Lender (acting reasonably) in order to effect the full intent of and fully perform and carry out the terms of this Second Amending Agreement.

9. Enurement

This Second Amending Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

10. Counterparts

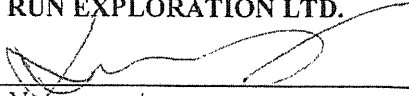
This Second Amending Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Second Amending Agreement to produce or account for more than one such counterpart. Such executed counterparts may be delivered by facsimile or other electronic transmission and, when so delivered, shall constitute a binding agreement of the parties hereto.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF the parties hereto have executed this Second Amending Agreement.

**BORROWER:**

**LONG RUN EXPLORATION LTD.**

By:   
Name: Xiaobo Deng  
Title: Executive Director of Board

**GUARANTOR:**

**CALGARY SINOENERGY INVESTMENT CORP.**

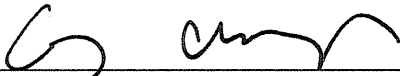
By: \_\_\_\_\_

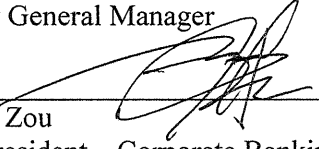
Name: Michael Lam

Title: VP Finance

**LENDER:**

**CHINA CONSTRUCTION BANK TORONTO  
BRANCH**

By:   
Name: Chaoyong Gong  
Title: Deputy General Manager

By:   
Name: Eddie Zou  
Title: Vice President – Corporate Banking

**AMENDED AND RESTATED CREDIT AGREEMENT**

**BETWEEN**

**LONG RUN EXPLORATION LTD.**

**as Borrower**

**AND**

**CALGARY SINOENERGY INVESTMENT CORP.**

**as Guarantor**

**AND**

**CHINA CONSTRUCTION BANK TORONTO BRANCH  
as Lender**

**AND**

**CHINA CONSTRUCTION BANK TORONTO BRANCH  
as Collateral Agent**

**MADE AS OF**

**October 27, 2020**



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**AMENDED AND RESTATED CREDIT AGREEMENT**

THIS AGREEMENT is made as of October 27, 2020

BETWEEN

Long Run Exploration Ltd., a corporation incorporated under the laws of the Province of Alberta, Canada (the "**Borrower**"),

- and –

Calgary Sinoenergy Investment Corp., a corporation incorporated under the laws of the Province of Alberta, Canada, as a Guarantor (together with its successors and permitted assigns, "**Calgary Sinoenergy**"),

- and –

China Construction Bank Toronto Branch, as lender (the "**Lender**")

- and –

China Construction Bank Toronto Branch, as collateral agent under the Collateral Agent and Intercreditor Agreement (in such capacity, together with any successor Collateral Agent appointed under the Collateral Agent and Intercreditor Agreement, collectively, the "**Collateral Agent**").

WHEREAS the Borrower, Calgary Sinoenergy and the Lender are parties to the Credit Agreement made as of January 31, 2017, as amended by a waiver and first amending agreement made effective as of November 15, 2018 and a waiver and second amending agreement made effective as of November 30, 2018 (as so amended and as further amended, supplemented or otherwise modified to the date hereof, the "**Existing Credit Agreement**") and wish to enter into this Agreement together with the other parties hereto, to amend and restate the Existing Credit Agreement, with respect to Cdn.\$114,434,905.72 of the principal amount outstanding thereunder, as of the date of this Agreement. At the Borrower's request the Lender has agreed to waive the interest accrual in respect of the overdue principal payment due on July 31, 2020 under the Existing Credit Agreement.

AND WHEREAS the remaining Cdn.\$242,950,808.57 of the principal amount outstanding under the Existing Credit Agreement is being re-financed by the CCB Qingdao Credit Agreement.

AND WHEREAS pursuant to the Collateral Agent and Intercreditor Agreement, the Collateral Agent shall hold the CCB SBLC for the benefit of the Lender, in respect of this Agreement, and the CCB Qingdao Lenders, in respect of the CCB Qingdao Credit Agreement, in all cases to secure the indebtedness due to the Collateral Agent, in its capacity as agent with respect

to the Obligations and the "Obligations" (as defined under the CCB Qingdao Credit Agreement); which in aggregate, shall continue to constitute the loan advanced by China Construction Bank Toronto Branch pursuant to the Existing Credit Agreement (being, for certainty, the loan agreement contemplated in the CCB SBLC).

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

## **ARTICLE 1 - INTERPRETATION**

### **1.01 Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

**"Additional Contributions"** means the aggregate amount of net cash proceeds received by the Borrower from any new equity issuance, including Convertible Debentures, or Deeply Subordinated Loans, from time to time, minus any amounts elected by the Borrower on a quarterly basis to be included in Adjusted Consolidated EBITDA. To be considered as Additional Contributions, such net cash proceeds must have been deposited in the Disbursement Account established by the Borrower with the Lender pursuant to Section 9.01 (21)(b). The Borrower will report any new contributions, outstanding balance and any amounts elected for inclusion in Adjusted Consolidated EBITDA with each quarterly and annual Compliance Certificate provided under Sections 9.03(3) and 9.03(4).

**"Adjusted Consolidated EBITDA"** means, for any period of determination, with respect to the Borrower, on a consolidated basis, an amount determined in Canadian Dollars equal to Consolidated EBITDA plus any Additional Contributions elected by the Borrower, on a quarterly basis, to be added to Adjusted Consolidated EBITDA.

**"Adjusted Excess Cash Flow"** means, for any period of determination, with respect to the Borrower on a consolidated basis, an amount determined in Canadian Dollars equal to Consolidated EBITDA, less:

- (i) the aggregate of:
  - (A) Total Interest Expense (calculated on the basis of amounts that are actually paid) for such period;
  - (B) permanent debt repayments of the Borrower actually paid during such period;
  - (C) the amount of all Capital Expenditures of the Borrower not financed by debt actually paid or incurred (without duplication) by the Borrower during such period; and
  - (D) all amounts actually paid by the Borrower in such period in respect of Capital Leases; and

(ii) Taxes actually paid by the Borrower in such period.

**"Affected Financial Institution"** means (a) any EEA Financial Institution or (b) any UK Financial Institution.

**"Affiliate"** means, with respect to a specified Person, (i) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, (ii) any officer or director of such Person, or (iii) an entity in respect of which such Person, or any officer or director thereof, holds, directly or indirectly, more than 10% of the equity interests having ordinary voting power for the election of directors or other governing body of such entity.

**"Agreement"** means this credit agreement, including its recitals and schedules.

**"AML Legislation"** has the meaning ascribed thereto in Section 14.16.

**"Anti-Corruption Laws"** means all laws concerning or relating to bribery or public corruption, including CFPOA, the *UK Bribery Act* and the FCPA and any similar laws currently in force or hereafter enacted (and including any regulations, rules, guidelines or orders thereunder) and, in any case, which are applicable to the Borrower, the other Restricted Parties or any Subsidiaries thereof or the Secured Parties or any Affiliates thereof.

**"Anti-Money Laundering/ Anti-Terrorist Financing Laws"** means all laws concerning or relating to money laundering or terrorist financing, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the *Bank Secrecy Act*, 31 U.S.C. sections 5301 et seq., the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Pub. L. 107-56 (a/k/a the USA Patriot Act), *Laundering of Monetary Instruments*, 18 U.S.C. section 1956, *Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity*, 18 U.S.C. section 1957, the *Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulations*, 31 C.F.R. Chapter X (Parts 1000 et. seq.) and any similar laws currently in force or hereafter enacted (and including any regulations, rules, guidelines or orders thereunder) and, in any case, which are applicable to the Borrower, any other Restricted Party or any of their respective Subsidiaries or the Secured Parties or any Affiliates thereof.

**"Applicable Law"** means:

- (i) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise);
- (ii) any judgement, order, writ, injunction, decision, ruling, decree or award;
- (iii) any regulatory policy, practice, guideline or directive; or
- (iv) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

"**Applicable LMR Jurisdiction**" means with respect to the Borrower or any other Restricted Party, as the context requires, any jurisdiction in Canada in which, the Borrower or such other Restricted Party, as applicable, directly owns P&NG Leases, P&NG Rights or other facilities or assets (relevant to the determination of the LMR in such jurisdiction).

"**Applicable Margin**" means the percentage rate *per annum* determined in accordance with the applicable table below.

***Revolving Term Facility***

<i>CDOR Margin</i>	<i>Standby Fee Rate</i>
<i>245 bps (2.45%)</i>	61.25 bps (.6125%)

***Non-Revolving Term Facility***

<i>CDOR Margin</i>	<i>Standby Fee Rate</i>
<i>245 bps (2.45%)</i>	<u>N/A</u>

"**Assignment**" has the meaning set out in Section 14.07(1).

"**Bail-In Action**" means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

"**Bail-In Legislation**" means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their Affiliates (other than through liquidation, administration or other insolvency proceedings).

"**BOC SBLC Indemnity**" means, the indemnity and reimbursement agreement made effective as of the date hereof from the Restricted Parties in favour of the BOC SBLC Provider whereby, *inter alia*, the Restricted Parties agree to indemnify and reimburse the BOC SBLC Provider for amounts drawn under the BOC SBLC, as amended, supplemented or otherwise modified from time to time.

"**BOC SBLC Provider**" means Bank of China (Qingdao Branch), as issuer of the BOC SBLC.



"**BOC SBLC**" means the standby letter of credit dated January 25, 2017 issued by the BOC SBLC Provider to the beneficiary described therein in an original aggregate total amount of Cdn.\$152,000,000, as amended to the date hereof, and as further amended, supplemented or otherwise modified from time to time (with the consent of the beneficiary thereof in its sole discretion).

"**Borrower's Counsel**" means Borden Ladner Gervais LLP or such other firm of legal counsel as the Borrower may from time to time designate and that is acceptable to the Lender.

"**Business Day**" means a day of the year, other than a Saturday, Sunday or statutory holiday, on which the Lender is open for business at its executive offices in Toronto, Ontario.

"**Calgary Sinoenergy**" has the meaning set out in the preamble hereto.

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

"**Capital Expenditures**" means any expenditure made by any Person for the purchase or acquisition, repair or replacement of capital assets, including without limitation, Petroleum Substances, net of proceeds of disposition of capital assets (other than proceeds received on a sale-leaseback transaction), and any expenditure related to a Capital Lease or an operating lease in respect of which such Person has furnished a residual value guarantee to the lessor, but excluding the amount expended on repair or replacement of Property to the extent of insurance proceeds or third party funding received by such Person on account of damage or destruction, all as determined in accordance with GAAP.

"**Capital Lease**" means a capital lease or a lease that should be treated as a capital lease under GAAP; provided that any present or future lease that would have been treated as an operating lease under GAAP as in effect on December 31, 2018 shall not constitute a Capital Lease for all purposes of this Agreement.

"**CCB SBLC Indemnity**" means, the indemnity and reimbursement agreement made effective as of the date hereof from the Restricted Parties in favour of the CCB SBLC Provider whereby, *inter alia*, the Restricted Parties agree to indemnify and reimburse the CCB SBLC Provider for amounts drawn under the CCB SBLC, as amended, supplemented or otherwise modified from time to time.

"**CCB SBLC Provider**" means China Construction Bank Corporation, Qingdao Branch, as issuer of the CCB SBLC.

"**CCB SBLC**" means the standby letter of credit dated January 26, 2017 issued by the CCB SBLC Provider to the beneficiary described therein in an original aggregate total amount of Cdn.\$454,000,000.00 and held by the Collateral Agent pursuant to the Collateral Agent and Intercreditor Agreement, for the benefit of the Lender, in respect of this Agreement, and the CCB Qingdao Lenders, in respect of the CCB Qingdao Credit Agreement, in all cases to secure the indebtedness due to the Collateral Agent, in its capacity as agent with respect to the Obligations and the "Obligations" (as defined under the CCB Qingdao Credit Agreement); which in aggregate, shall continue to constitute the loan advanced by China Construction Bank Toronto Branch pursuant to the Existing Credit Agreement (being, for certainty, the loan agreement contemplated in the CCB SBLC), as amended to the date hereof, and as further amended, supplemented or

otherwise modified from time to time (with the consent of the beneficiary thereof in its sole discretion).

**"CCB Qingdao Administrative Agent"** means China Construction Bank Toronto Branch in its capacity as administrative agent for the CCB Qingdao Lenders under the CCB Qingdao Credit Agreement, together with any successor CCB Qingdao Administrative Agent appointed thereunder.

**"CCB Qingdao Lenders"** means, collectively, China Construction Bank Corporation, Qingdao Branch and the other lenders from time to time party to the CCB Qingdao Credit Agreement.

**"CCB Qingdao Credit Agreement"** means the credit agreement made as of the date hereof between the Borrower, Calgary Sinoenergy, the CCB Qingdao Lenders, the CCB Qingdao Administrative Agent and the Collateral Agent.

**"CDOR"** means, with respect to any Interest Period, the stated average of the annual rates that appears on the Reuters Screen CDOR page with respect to banks named in Schedule I to the Bank Act (Canada) as of 10:00 a.m. (Toronto time) on such day (or, if such day is not a Business Day, as of 10:00 a.m. on the next preceding Business Day) for bankers' acceptances issued on that day for a term equal or comparable to the term of such bankers' acceptances, provided that: (a) if such rate does not appear on the Reuters Screen CDOR page at such time on such day, CDOR for such day will be the discount rate (calculated on an annual basis and rounded upward, if necessary, to the nearest whole multiple of 1/100 of 1%, with 5/1,000 of 1% being rounded up) as of 10:00 a.m. on such day at which such other financial institutions as selected by the Lender, from time to time, are then offering to purchase bankers' acceptances accepted by it having an aggregate face amount equal to the aggregate face amount of, and with a term equal or comparable to the term of, such bankers' acceptances and (b) if the rate determined as aforesaid shall ever be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

**"CDOR Discontinuation Date"** has the meaning set out in Section 2.11.

**"CDOR Loan"** means a Loan made in Canadian Dollars by the Lender pursuant to which CDOR is the applicable rate of interest.

**"CDOR Margin"** means, for any period, the applicable percentage rate *per annum* set out below the heading "CDOR Margin" in the definition of "Applicable Margin".

**"CFPOA"** means the *Corruption of Foreign Public Officials Act* (Canada).

**"Change in Law"** means the occurrence, after the date of this Agreement, of any of the following:

- (i) the adoption or taking effect of any Applicable Law,
- (ii) any change in any Applicable Law or in the administration, interpretation or application thereof by any Governmental Authority; or
- (iii) the making or issuance of any Applicable Law by any Governmental Authority.

"**Closing Date**" means the date hereof.

"**Collateral Agent**" has the meaning set out in the preamble hereto.

"**Collateral Agent and Intercreditor Agreement**" has the meaning set out in Section 10.01(j).

"**Commitment**" means each amount specified in Schedule A, in each case being the sum of the maximum aggregate amount of Loans that the Lender is obliged to make, as each such amount may be reduced from time to time by the amount of any permanent repayments, reductions or prepayments required or made hereunder, or may be cancelled or terminated pursuant to this Agreement.

"**Compliance Certificate**" means a certificate required pursuant to Section 9.03(3) or 9.03(4), as the case may be, substantially in the form attached as Schedule 1.01(A), signed by any one of the Chief Executive Officer or the Vice President of the Borrower.

"**Consolidated EBITDA**" means, without duplication, in respect of any period of determination and as determined on a consolidated basis in respect 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 Borrower and its Subsidiaries, 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; and
- (e) the net amount of losses deducted in determining Consolidated Net Income resulting from the disposition of assets (excluding inventory); and

less to the extent included in the calculation of such Consolidated Net Income:

- (f) any extraordinary and non-recurring income and gains;
- (g) non-cash gains resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Borrower and its Subsidiaries for such period; and
- (h) all other non-cash gains added in determining Consolidated Net Income.

Consolidated EBITDA will be adjusted for acquisitions and 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 that is consistent with the foregoing and supported by such back-up

information as the Lender may reasonably request and is otherwise satisfactory to the Lender, 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 Leases, discounts and stamping fees payable in respect of bankers' acceptances and letters of credit, discounts in respect of any securitization programs and commitment or standby fees, and adjusted for the net amount paid or payable (or less the net amount received or receivable) under any hedging contracts in respect of such period, but shall not include (a) any interest expense relating to the Deeply Subordinated Loans or Convertible Debentures or any other obligation of the Borrower to another Restricted Party under which such obligations are postponed in favour of the Secured Parties or (b) with the prior written consent of the Lender, any interest expense component(s) of any obligations under or in respect of the Capital Leases disclosed to the Lender by the Borrower in writing from time to time.

**"Consolidated Net Income"** means, with respect to any Person for any period, the net revenue of such Person for such period on a consolidated basis, less all expenses and other charges not otherwise deducted in computing such net revenue for such period, determined in accordance with GAAP, but excluding extraordinary items as determined in accordance with GAAP, earnings resulting from any reappraisal, revaluation or other write-up of assets and gains arising from the repurchase of any equity security of such Person or any Subsidiary.

**"Consolidated Senior Debt"** means Consolidated Total Debt *minus*, to the extent included therein, any Deeply Subordinated Loans.

**"Consolidated Senior Debt to Adjusted Consolidated EBITDA Ratio"** means, measured as at the end of each Fiscal Quarter, the ratio of Consolidated Senior Debt to Adjusted Consolidated EBITDA for the 12 months ending on the last day of such Fiscal Quarter.

**"Consolidated Total Debt"** means all indebtedness which would, in accordance with GAAP, be classified upon a consolidated balance sheet of the Borrower as Debt 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 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 Debt of any other Person or the obligations of any other Person which would otherwise constitute Consolidated Total 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 Debt 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 an Encumbrance on any of the assets of any of the Borrower and its Subsidiaries; and

(e) all indebtedness representing the deferred purchase price of any property or services for a period in excess of 90 days, and all obligations created or arising under any conditional sales agreement or other title retention agreement (but excluding operating leases) or any Capital Lease.

**"Contingent Obligation"** means, with respect to any Person, any obligation, whether secured or unsecured, of such Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by the primary obligor of any such primary obligation and any obligations of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect of such primary obligation; provided, however, that the term Contingent Obligation does not include endorsements of instruments for deposit or collection in the ordinary course of business.

**"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. **"Controlling"** and **"Controlled"** have corresponding meanings.

**"Controlled Accounts"** means, collectively, all bank accounts of the Restricted Parties (other than Calgary Sinoenergy), for certainty, whether or not such accounts shall be subject to an account control agreement.

**"Convertible Debentures"** means (i) as of the date hereof, the convertible subordinated debentures described in Schedule B hereof under the heading "Convertible Debentures" and (ii) thereafter, any unsecured convertible subordinated debentures or notes issued (or assumed) by the Borrower which have all of the following characteristics:

- (a) a final maturity or due date in respect of repayment of principal extending beyond the Non-Revolving Term Facility Maturity Date in effect at the time such debentures or notes are created, incurred, assumed or guaranteed;
- (b) no scheduled or mandatory payment or repurchase of principal thereunder (other than acceleration following an event of default in regard thereto or payments which can be satisfied by the delivery of securities of the Borrower as contemplated in (f) below and other than on a change of control of the Borrower where an Event of

Default also occurs under Section 9.04(3) hereof) prior to the Non-Revolving Term Facility Maturity Date in effect at the time such debentures or notes are created, incurred, assumed or guaranteed;

- (c) upon and during the continuance of an Event of Default or acceleration of the time for repayment of any of the Obligations which has not been rescinded, (i) all amounts payable in respect of principal, premium (if any) or interest under such debentures or notes are subordinate and junior in right of payment to all such Obligations and (ii) no enforcement steps or enforcement proceedings may be commenced in respect of such debentures or notes;
- (d) upon distribution of the assets of the Borrower on any dissolution, winding up, total liquidation or reorganization of Borrower (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such Person, or otherwise), all Obligations shall first be paid in full, or provisions made for such payment, before any payment is made on account of principal, premium (if any) or interest payable in regard to such debentures or notes;
- (e) the occurrence of a Default or Event of Default hereunder or the acceleration of the time for repayment of any of the Obligations or enforcement of the rights and remedies of the Secured Parties hereunder or under any other Loan Document shall not in and of themselves:
  - (i) cause a default or event of default (with the passage of time or otherwise) under such debentures or notes or the indenture governing the same; or
  - (ii) cause or permit the obligations under such debentures or notes to be due and payable prior to the stated maturity thereof;

provided however that, notwithstanding the foregoing provisions of subparagraph (e), (but, for certainty, without limiting or affecting in any manner whatsoever the provisions of this definition), such debentures or notes and the indenture or agreement governing the same may provide that an event of default under another indenture, agreement or instrument evidencing Debt of a Restricted Party which has resulted in:

- (A) Debt thereunder in excess of Cdn. \$20,000,000 (or the Equivalent Amount in any other currency) being accelerated; and
- (B) the holders of such Debt being entitled to commence, and such holders having commenced, the enforcement of the security they hold for such Debt (if any) or the exercise of any other creditors' remedies to collect such Debt,

may constitute an "event of default" under and as defined in such debentures or notes and indenture or agreement governing the same;

- (f) payments of interest or principal due and payable under such debentures or notes can be satisfied, at the option of the Borrower, by delivering voting Securities of the Borrower in accordance with the indenture or agreement governing such debentures or notes (whether such voting Securities of the Borrower is received by the holders of such debentures or notes as payment or are sold by a trustee or representative under such indenture or agreement to provide cash for payment to holders of such debentures or notes) and provided no default or event of default has occurred and is continuing under any such indenture or agreement; and
- (g) the holder thereof has entered into a subordination and postponement agreement in favour of the Secured Parties in the form attached hereto as Schedule C.

**"Credit Facilities"** means the Revolving Term Facility and the Non-Revolving Term Facility and **"Credit Facility"** means either of them.

**"Debt"** means, with respect to any Person, all obligations that, in accordance with GAAP, would then be classified as a liability of such Person, and, without duplication, includes, with respect to such Person,

- (i) an obligation in respect of borrowed money or for the deferred purchase price of Property or services or an obligation that is evidenced by a note, bond, debenture or any other similar instrument;
- (ii) a transfer with recourse or with an obligation to repurchase, to the extent of the liability of such Person with respect thereto;
- (iii) an obligation under a Capital Lease;
- (iv) an obligation under a residual value guarantee made with respect to an operating lease in which such Person is the lessee;
- (v) a reimbursement obligation or other obligation in connection with a bankers' acceptance or any similar instrument, or letter of credit or letter of guarantee issued by or for the account of such Person;
- (vi) a Contingent Obligation to the extent that the primary obligation so guaranteed would be classified as "Debt" (within the meaning of this definition) of such Person; or
- (vii) the aggregate amount at which any shares of such Person that are redeemable or retractable at the option of the holder of such shares (except where the holder is such Person) may be redeemed or retracted prior to the Non-Revolving Term Facility Maturity Date for cash or obligations constituting Debt or any combination thereof;

provided, however, that there will not be included for the purpose of this definition any obligation that is on account of (A) reserves for deferred income taxes or general contingencies, (B) minority interests in Subsidiaries, or (C) accounts payable and accrued liabilities (including contract loans and income taxes payable) incurred in the ordinary course of business.



**"Deeply Subordinated Loan"** means, as of the date hereof, the indebtedness described in Schedule B hereof under the heading "Deeply Subordinated Loans" and the Convertible Debentures and, thereafter, any indebtedness of the Borrower to Calgary Sinoenergy or any Affiliate thereof which has all of the following characteristics:

- (i) the holder of such indebtedness may not receive payments on account of principal;
- (ii) no security may be held in respect of such indebtedness (except for any such security that may be subordinated to the Security on terms satisfactory to the Lender, acting reasonably);
- (iii) the holder of such indebtedness may not take any enforcement action in respect of any such loan without the prior written consent of the Lender (except to the extent, if any, expressly permitted therein); and
- (iv) the holder thereof has entered into a subordination and postponement agreement in favour of the Secured Parties in the form attached hereto as Schedule C.

**"Default"** means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both.

**"Depreciation Expense"** means, for any period with respect to any Person, depreciation, amortization, depletion and other like reductions to income of such Person for such period not involving any outlay of cash.

**"Disbursement Account"** has the meaning given to it in Section 9.01(21)(b).

**"Disclosure Letter"** means the written letter delivered by the Borrower (for itself and on behalf of the other Restricted Parties) on the date hereof.

**"Disposition"** means, with respect to a Person, any sale, assignment, transfer, conveyance, lease, licence or other disposition of any nature or kind whatsoever of any Property or of any right, title or interest in or to any Property that is out of the ordinary course of business of such Person, and the verb **"Dispose"** has a corresponding meaning.

**"Distribution"** means (i) any payment, declaration of dividend or other distribution, whether in cash or Property, (but expressly excluding any distribution by way of the payment of dividends by the issuance of equity securities of an issuer) to any holder of shares of any class of the Borrower or any other Restricted Party, or (ii) any repurchase, redemption, retraction or other retirement or purchase for cancellation of shares of the Borrower or any other Restricted Party, or of any options, warrants or other rights to acquire any of such shares.

**"Drawdown"** means:

- (i) the advance of a CDOR Loan; or
- (ii) the issue of one or more Letters of Credit.

**"Drawdown Date"** means the date on which a Drawdown is made by the Borrower pursuant to the provisions hereof.

**"Drawdown Notice"** means a notice, substantially in the form set out in Schedule 1.01(C), to be given to the Lender by the Borrower pursuant to Section 2.07.

**"EEA Financial Institution"** means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

**"EEA Member Country"** means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

**"EEA Resolution Authority"** means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

**"Encumbrance"** means, with respect to any Person, any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, hypothecation or security interest granted or permitted by such Person or arising by operation of law, in respect of any of such Person's Property, or any consignment by way of security or Capital Lease of Property by such Person as consignee or lessee, as the case may be, or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or other obligation, and **"Encumbrances"**, **"Encumbrancer"**, **"Encumber"** and **"Encumbered"** have corresponding meanings.

**"Energy Regulator"** means (a) with respect to the Province of Alberta, the Alberta Energy Regulator, (b) with respect to the Province of British Columbia, the BC Oil and Gas Commission, (c) with respect to the Province of Saskatchewan, the Saskatchewan Ministry of Energy and Resources, and (d) with respect to any other Applicable LMR Jurisdiction, the regulatory body with responsibility for the oversight of environmental matters in the oil and gas industry in such jurisdiction; and in each case, together with any successor or replacement agency, department, ministry or commission thereto.

**"Engineering Report"** means a report (in form and substance satisfactory to the Lender, acting reasonably) prepared by the Independent Engineer respecting the reserves of Petroleum Substances attributable to the assets and undertakings of the Restricted Parties, which report shall, as of the effective date of such report, set forth, *inter alia*, (a) the proved, developed producing reserves of Petroleum Substances, (b) proved, developed nonproducing reserves of Petroleum Substances, (c) proved and undeveloped reserves of Petroleum Substances, and (d) the probable reserves of Petroleum Substances, in each case, attributable to the assets and undertakings of the Restricted Parties and, for each 12 month period ending on the date of such report: anticipated rates of

production, depletion and reinjection of Petroleum Substances; Crown, freehold and overriding royalties and freehold mineral taxes with respect to Petroleum Substances produced from or attributable to such assets and undertakings; production, revenue, value-added, wellhead or severance Taxes with respect to Petroleum Substances produced from or attributable to such assets and undertakings; operating costs; gathering, transporting, processing, marketing and storage fees payable with respect to Petroleum Substances produced from or attributable to such assets and undertakings; capital expenditures expected to be necessary to achieve anticipated rates of production; asset retirement obligations attributable to such assets and undertakings; and net cash flow with respect to such assets and undertakings, including all revenues, expenses and expenditures described above.

**"Environmental Certificate"** means a certificate required pursuant to Section 9.03(3) or 9.03(4), as the case may be, substantially in the form attached as Schedule 1.01(B), signed by any one of the Chief Executive Officer or the Vice President of the Borrower.

**"Environmental Law"** means any Applicable Law relating to the environment including those pertaining to:

- (i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and
- (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

**"Equity"** means, with respect to any Person at any time, the aggregate of all common, preferred and other share capital (other than all shares of, or partnership units in, the Person that are redeemable or retractable at the option of any Person (other than the Person in respect of whom a determination of the Equity of such Person is being made)) in, and all warrants of, that Person that would be reflected as equity on the balance sheet of that Person at that time, together with retained earnings and contributed surplus of that Person, that would be reflected on the balance sheet of that Person at that time.

**"Equivalent Amount"** means, on any day, the equivalent amount in Canadian Dollars or United States Dollars, as the case may be, after giving effect to a conversion of a specified amount of United States Dollars to Canadian Dollars or of Canadian Dollars to United States Dollars, as the case may be, at the Spot Rate for the day in question for the conversion of United States Dollars to Canadian Dollars or at the rate that is the reciprocal thereof for the conversion of Canadian Dollars to United States Dollars, as the case may be, or, if such rate is not so published by the Bank of Canada for any such day, then at the spot rate quoted by the Lender at approximately noon (Toronto time) on that day in accordance with its normal practice for the applicable currency conversion in the wholesale market.

**"EU Bail-In Legislation Schedule"** means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

**"Event of Default"** has the meaning set out in Section 11.01.

**"Excluded Taxes"** means, with respect to the Secured Parties, (i) taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which its lending office is located, and (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which a Secured Party is located.

**"Existing BNS Blocked Account Agreement"** means the blocked account agreement dated as of January 25, 2019 between The Bank of Nova Scotia, as account bank, the Borrower, as borrower, and China Construction Bank Toronto Branch, as lender, in respect of the Existing Credit Agreement.

**"Existing Credit Agreement"** has the meaning set out in the recitals hereto.

**"Existing Letters of Credit"** means all letters of credit issued pursuant to the Existing Credit Agreement and which are outstanding on the date hereof in the aggregate face amount of Cdn.\$12,100,000.

**"FCPA"** means the United States Foreign Corrupt Practices Act of 1977, including any subordinate legislation thereunder.

**"Fee Letter"** has the meaning attributed to it in Section 3.01(n).

**"Final Maturity Date"** means with respect to the Non-Revolver Term Facility, the Non-Revolver Term Facility Maturity Date and, with respect to the Revolver Term Facility, the Revolver Term Facility Maturity Date.

**"Financial Assistance"** means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of or having the effect of providing financial assistance to another Person or Persons, including letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection therewith, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery thereof and obligations to make advances or otherwise provide financial assistance to any other Person.

**"Fiscal Quarter"** means any fiscal quarter of the Borrower.

**"GAAP"** means those accounting principles that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute.

**"Governmental Authority"** means the government of Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, the Superintendent of Financial Institutions or other comparable authority or agency.

**"Guarantor"** means, as at the Closing Date, Calgary Sinoenergy, and thereafter, each Subsidiary of the Borrower who becomes a party hereto pursuant to and in accordance with Section 9.04(18).

"**H. Corp.**" means Henenghaixin Corp. and its successors and assigns.

"**H. Corp. Claim**" means the statement of claim filed on February 28, 2020 by H. Corp. against, *inter alia*, the Borrower and Calgary Sinoenergy, as amended, supplemented, varied or otherwise modified from time to time.

"**H. Corp. Injunction**" means the attachment order/mareva injunction issued by the Court of Queens' Bench of Alberta on April 23, 2020 in connection with the H. Corp. Claim, as amended, supplemented, varied or otherwise modified from time to time,

"**Hazardous Substance**" means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws, including pollutants, contaminants, dangerous goods or substances, toxic or hazardous substances or materials, wastes (including solid non-hazardous wastes and subject wastes), petroleum and its derivatives and by-products and other hydrocarbons, all as defined in or pursuant to any Environmental Law.

"**Hedge Arrangement**" means, with respect to any Person, any arrangement or transaction between such Person and any other Person other than another Restricted Party that is a rate swap transaction, basis swap, forward rate transaction, commodity swap, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations.

"**Indemnified Taxes**" means Taxes other than Excluded Taxes.

"**Independent Engineer**" means such firm or firms of independent engineers as may be selected from time to time by the Borrower and approved by the Lender, acting reasonably.

"**Intellectual Property**" means any and all intellectual and industrial property, whether recorded or not and regardless of form or method of recording, including all works in which copyright subsists or may subsist (such as computer software), data bases (whether or not protected by copyright), designs, documentation, manuals, specifications, industrial designs, trade secrets, confidential information, ideas, concepts, know-how, trade marks, service marks, trade names, domain names, discoveries, inventions, formulae, recipes, product formulations, processes and processing methods, technology and techniques, improvements and modifications, integrated circuit topographies and mask works.

"**Intellectual Property Rights**" includes all intellectual and industrial and other proprietary rights in any Intellectual Property.

"**Intercreditor Obligations**" means, collectively, the Obligations, the "Obligations" (as defined under the CCB Qingdao Credit Agreement) and the SBLC Obligations.

"**Intercreditor Parties**" means, collectively, the Secured Parties, the CCB Qingdao Administrative Agent, the CCB Qingdao Lenders, the SBLC Providers and the Parent Creditors.

**"Interest Coverage Ratio"** means, measured at the end of each Fiscal Quarter, the ratio of (a) Adjusted Consolidated EBITDA for the four immediately preceding Fiscal Quarters to (b) Consolidated Interest Expense for such four Fiscal Quarters.

**"Interest Payment Date"** means, with respect to each CDOR Loan, and commencing at the start of 2021 each of January 31, April 30, July 31 and October 31 of each year; provided that if the Interest Payment Date is not a Business Day, it will be the immediately prior Business Day.

**"Interest Period"** means in connection with a CDOR Loan, an interest period (i) initially, commencing on October 29, 2020 and ending on January 31, 2021; and (ii) thereafter, a period of three months commencing on the day on which the immediately preceding Interest Period expires; provided that in any case the last day of each Interest Period will be also the first day of the next Interest Period, and further provided that the last Interest Period hereunder must expire on or prior to the applicable Final Maturity Date.

**"Judgment Conversion Date"** has the meaning set out in Section 14.03(1).

**"Judgment Currency"** has the meaning set out in Section 14.03(1).

**"Lender"** has the meaning set out in the preamble hereto.

**"Lender's Consultant"** means any petroleum engineering consulting firm acting on behalf of the Lender from time to time and initially shall be Sproule Associates Limited.

**"Lender's Counsel"** means such legal counsel as the Lender may from time to time designate.

**"Lending Office"** means the office of the Lender located at 3650-181 Bay Street, Toronto, Ontario M5J 2T3, or at such other office as the Lender may designate in writing.

**"Letter of Credit"** means a standby letter of credit or a commercial letter of credit issued or deemed to be issued pursuant to the Revolving Term Facility at the request and for the account of the Borrower.

**"Letter of Credit Fee Rate"** means, for any period, with respect to a Letter of Credit, the percentage rate *per annum* applicable to that period as advised by the Lender from time to time as the then applicable rate for the issuance of letters of credit which for clarity applies to the Lender issued letters of credit and not the SBLCs.

**"LMR"** means, with respect to the Borrower or any other Restricted Party, for any Applicable LMR Jurisdiction, the liability management rating (or successor or equivalent) established by the applicable Energy Regulator with respect to the abandonment and reclamation policies, regulations and directives of such Energy Regulator in such jurisdiction, in each case, as determined in accordance with Applicable Law (including the rules and regulations of such Energy Regulator in respect thereof for the then relevant period) as calculated and published publicly by such Energy Regulator, and as adjusted to remove any security, cash, letters of credit or other security deposits or credit.

**"Loan"** means any extension of credit by the Lender under this Agreement (including, for certainty, the issuance of any Letter of Credit).

**"Loan Documents"** means (a) this Agreement, (b) the Collateral Agent and Intercreditor Agreement, (c) the other Security, (d) the Fee Letter and (e) all present and future agreements, documents, certificates and instruments delivered by any Restricted Party to the Secured Parties pursuant to or in respect of this Agreement or the Security, in each case as the same may from time to time be amended, and **"Loan Document"** means any one of the Loan Documents.

**"Material Adverse Change"** or **"Material Adverse Effect"** means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower to pay its Obligations, or perform any of its other material obligations under the Loan Documents, or (c) the legality, validity or enforceability of any of the Loan Documents or the rights or remedies of the Secured Parties thereunder.

**"Material Licences"** means all licences, permits or approvals issued by any Governmental Authority, or any applicable stock exchange or securities commission, to any Restricted Party, and which are at any time on or after the date of this Agreement,

- (i) necessary or material to the business and operations of such Restricted Party or to the listing of its securities, the breach or default of which would result in a Material Adverse Change, or
- (ii) designated by the Lender, in the sole discretion of the Lender, as a Material Licence, provided that the Lender has notified the Borrower of such designation.

**"Net Proceeds"** means, with respect to any Disposition (other than the Dispositions described in paragraphs (i) and (iii) of the definition of "Permitted Disposition"), the aggregate fair market value of proceeds of such Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, bona fide direct transaction costs and expenses incurred in connection with such Disposition, including (i) reasonable legal fees and disbursements, the customary fees of agents or brokers payable in connection with such Disposition within one year of such Disposition and title and recording expenses payable in connection with such Disposition, and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Debt that is secured by a Permitted Encumbrance, if any, on any of the Property that is the subject matter of such Disposition ranking in priority to the Encumbrance of the Security and that is required to be repaid under the terms of such Debt as a result of such Disposition.

**"Non-Revolving Term Facility"** has the meaning set out in Section 2.01(b).

**"Non-Revolving Term Facility Maturity Date"** means (i) December 9, 2023 or (ii) 30 days before the maturity of the CCB SBLC (currently on January 9, 2024), whichever is earlier.

**"Obligations"** means, collectively, (a) all obligations of the Restricted Parties, or any of them, to the Secured Parties under or in connection with this Agreement or the other Loan Documents,



including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Restricted Parties, or any of them, to the Secured Parties, (b) the obligation to reimburse the Lender for any payment on a Letter of Credit (including, for certainty, any Reimbursement Amounts owing to the Lender) and (c) any other obligations or amounts remaining unpaid by the Restricted Parties, or any of them, to the Secured Parties, under or in connection with this Agreement or the other Loan Documents, whether arising from dealings between the Secured Parties and any of the Restricted Parties or from any other dealings or proceedings by which a Secured Party may be or become in any manner whatever a creditor of a Restricted Party pursuant to this Agreement or the other Loan Documents, in each case, in any currency and wherever incurred, and whether incurred by a Restricted Party alone or with another or others and whether as principal or surety, and all interest, fees, legal and other costs, charges and expenses relating thereto.

"**OFAC**" means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

"**Organizational Documents**" means, with respect to any Person, such Person's articles, memorandum or other charter documents, partnership agreement, joint venture agreement, declaration of trust, trust agreement, by-laws, unanimous shareholder agreement, or any and all other similar agreements, documents and instruments pursuant to which such Person is constituted, organized or governed.

"**Other Taxes**" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"**Parent**" means Qingdao Sinoenergy Co. Ltd. and its successors and assigns.

"**Parent Credit Agreement**" means the guarantee syndicate contract dated January 23, 2017 among the Parent, as applicant, CCB Qingdao Branch, as lead bank, BOC Qingdao Branch, as co-lead bank, CCB Qingdao Sifang Sub-branch and BOC Qingdao High-tech Industrial Park Sub-branch, as guarantee providers, and, as agent bank, as amended, supplemented or otherwise modified from time to time.

"**Parent Creditors**" means, collectively, CCB Qingdao Branch, as lead bank, BOC Qingdao Branch, as co-lead bank, and CCB Qingdao Sifang Sub-branch, BOC Qingdao High-tech Industrial Park Sub-branch, as guarantee providers, and CCB Qingdao Sifang Sub-branch, as agent bank, in each case under the Parent Credit Agreement, and their respective successors and assigns.

"**Parent Creditor Indemnity**" means, the indemnity and agreement made effective as of the date hereof from the Restricted Parties in favour of the Parent Creditors whereby, *inter alia*, the Restricted Parties agree to indemnify and reimburse the Parent Creditors for any breach by the Parent to fulfill its obligations under the Parent Credit Agreement to pay or reimburse the Parent Creditors for any claim made in respect of either or both SBLCs, as amended, supplemented or otherwise modified from time to time.

"**Participant**" has the meaning set out in Section 14.07(1).

**"Pension Plan"** means (i) a "pension plan" or "plan" which is a "registered pension plan" as defined in the *Income Tax Act* (Canada) or is subject to the funding requirements of applicable pension benefits legislation in any Canadian jurisdiction and is applicable to employees resident in Canada of a Restricted Party, or (ii) any other pension benefit plan or similar arrangement applicable to employees of a Restricted Party.

**"Permitted Contest"** means action taken by or on behalf of a Restricted Party in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Encumbrance, provided that:

- (a) the Person to which the Tax, claim or Encumbrance being contested is relevant (and, in the case of a Restricted Party, the Borrower on a consolidated basis) has established adequate reserves therefor if and to the extent required by GAAP; and
- (b) proceeding with such contest does not have, and could not reasonably be expected to have, a Material Adverse Effect.

**"Permitted Debt"** means:

- (i) Debt under this Agreement or any of the Loan Documents;
- (ii) any other Debt of a Restricted Party other than Calgary Sinoenergy secured by Permitted Encumbrances;
- (iii) Debt in respect of Capital Leases granted by a Restricted Party other than Calgary Sinoenergy in existence as of the date hereof;
- (iv) Deeply Subordinated Loans;
- (v) any Debt in respect of the Convertible Debentures; and
- (vi) any Debt in respect of the SBLCs or the CCB Qingdao Credit Agreement.

**"Permitted Disposition"** means, in respect of a Person, any of the following:

- (i) a Disposition of current, in transit or stored production from petroleum and natural gas properties made in the ordinary course of business;
- (ii) the abandonment, surrender or termination of any petroleum and natural gas rights in respect thereto in the ordinary course of business and in accordance with sound industry practice;
- (iii) a Disposition of Property that is worn-out, obsolete or no longer useful for the purpose of carrying on the Borrower's business, not to exceed Cdn.\$2,000,000 in aggregate in each fiscal year; and
- (iv) a Disposition of petroleum and natural gas properties (and related tangibles) resulting from any mandatory pooling or unit arrangement in accordance with Applicable Law or farmout agreement entered into prior to the date hereof.

**"Permitted Encumbrances"** means, with respect to any Person, the following:

- (i) undetermined or inchoate Encumbrances arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to any Applicable Law against any Restricted Party or in respect of which no steps or proceedings to enforce such Encumbrance have been initiated or which relate to obligations which are not due or delinquent or if due or delinquent, any Encumbrance which a Restricted Party is contesting at the time by a Permitted Contest;
- (ii) Encumbrances 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 Encumbrances relate for any Restricted 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 Encumbrance which a Restricted Party is contesting at the time by a Permitted Contest;
- (iii) to the extent an Encumbrance 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 Restricted 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 Restricted 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;
- (iv) to the extent an Encumbrance is created thereby, farmout interests or overriding royalty interests, net profit interests, reversionary interests and carried interests in respect of any Restricted 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;
- (v) Encumbrances for penalties arising under non-participation provisions of operating agreements in respect of any Restricted Party's P&NG Rights or any related facilities, if such Encumbrances could not reasonably be expected to have a Material Adverse Effect;
- (vi) 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;

- (vii) any Encumbrance or trust arising in connection with worker's compensation, employment insurance, pension and employment Requirement of Law, and if due or delinquent, the validity of which is contested at the time by a Permitted Contest;
- (viii) 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;
- (ix) 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;
- (x) 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;
- (xi) public and statutory Encumbrances not yet due and similar Encumbrances arising by operation of law;
- (xii) the Security;
- (xiii) Encumbrances 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;
- (xiv) Encumbrances under or pursuant to any judgment rendered, or claim filed, against a Restricted Party, which such Restricted Party is contesting at the time by a Permitted Contest;
- (xv) Encumbrances 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 Restricted 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 Restricted Parties, taken as a whole;
- (xvi) bankers' liens, rights of set-off and other similar Encumbrances existing solely with respect to cash on deposit in one or more accounts maintained by the Restricted Parties, in each case, granted in the ordinary course of business in favour of the Secured Parties with which such accounts are maintained, securing amounts owing to the Secured Parties with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements;
- (xvii) 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 Restricted Party is a party;

- (xviii) Encumbrances in favour of a landlord of leased property in respect of the leasehold improvements made to, and other personal property of the tenant located on, such leased real property;
- (xix) any other Encumbrances (including Purchase Money Security Interest, Capital Leases, security for Hedge Arrangements, and sale-leasebacks) which are not otherwise Permitted Encumbrances; provided that the aggregate principal amount of Debt or other obligations secured thereby is agreed to by the Lender, such agreement not to be unreasonably withheld;
- (xx) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Encumbrance referred to in the preceding paragraphs (i) to (x) inclusive of this definition, so long as any such extension, renewal or replacement of such Encumbrance is limited to all or any part of the same property that secured the Encumbrance extended, renewed or replaced (plus improvements on such property) and the Debt, liability or obligation secured thereby is not increased;
- (xxi) any Encumbrance described in the Disclosure Letter;
- (xxii) any Encumbrance in respect of the Deeply Subordinated Loans or any Convertible Debenture held by Calgary Sinoenergy;
- (xxiii) any Encumbrance in respect of Capital Leases permitted under paragraph (iii) of the definition of Permitted Debt;
- (xxiv) any Encumbrance in favour of the CCB Qingdao Administrative Agent, the Collateral Agent, the CCB Qingdao Lenders or any SBLC Provider in respect of the CCB Qingdao Credit Agreement and/or the SBLCs, as applicable; and
- (xxv) such other Encumbrances as are agreed to in writing by the Lender;

provided that subsections (xvi) through (xix), above shall be subject to a maximum aggregate amount of Cdn \$2,000,000.

**"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other 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 Leases"** means, collectively, any and all documents of title including leases, reservations, permits, licences, unit agreements, assignments, trust declarations, participation, exploration, farm-out, farm-in, royalty, purchase or other agreements by virtue of which the Borrower or any Restricted Party is entitled to explore for, drill for, recover, take or produce Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Borrower or any Restricted Party (as applicable), or to share in the production or proceeds of production or any part thereof or proceeds of royalty, production, profits or other interests out of, referable to or payable

in respect of Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Borrower or any Restricted Party (as applicable), and the rights of the Borrower or Restricted Party (as applicable) thereunder.

**"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 Restricted Party at such time in and to any, or such as are stipulated, of the following, by whatever name the same are known:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) rights of any Restricted 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
- (v) rights to acquire any of the above rights described in paragraphs (i) through (iv) 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.

**"Property"** means, with respect to any Person, all or any portion of that Person's undertaking and property, both real and personal.

**"Purchase Money Security Interest"** means an Encumbrance created or incurred by a Restricted Party securing Debt incurred to finance the acquisition of Property (including the cost of installation thereof), provided that (i) such Encumbrance is created substantially simultaneously with the acquisition of such Property, (ii) such Encumbrance does not at any time encumber any Property other than the Property financed by such Debt, (iii) the amount of Debt secured thereby is not increased subsequent to such acquisition, and (iv) the principal amount of Debt secured by any such Encumbrance at no time exceeds 100% of the original purchase price of such Property and the cost of installation thereof, and for the purposes of this definition the term "acquisition" includes a Capital Lease.

**"Reimbursement Amount"** has the meaning given to it in Section 5.01(4).

**"Related Parties"** means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person or of such Person's Affiliates.

**"Release"** means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

**"Relevant Jurisdiction"** means, from time to time, with respect to a Person that is granting Security hereunder, any province or territory of Canada, any state of the United States or any other country or political subdivision thereof in which such Person has its chief executive office or chief place of business, has Property or carries on business and, for greater certainty, includes the provinces and states set out in Schedule 1.01(F).

**"Repayment Notice"** means the notice substantially in the form set out in Schedule 1.01(G).

**"Requirements of Environmental Law"** means all requirements of the common law or of statutes, regulations, by-laws, ordinances, treaties, judgments and decrees, and (to the extent that they have the force of law) rules, policies, guidelines, orders, approvals, notices, permits, directives, and the like, of any federal, territorial, provincial, state, regional, municipal or local judicial, regulatory or administrative agency, board or governmental authority in Canada, the United States and any other jurisdiction in which any Restricted Party has operations or assets relating to environmental or occupational health and safety matters (as they relate to exposure to a Hazardous Substance) and the assets and undertaking of any Restricted Party and the intended uses thereof in connection with such matters, including all such requirements relating to: (a) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater); (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (c) consumer, occupational or public safety and health (as they relate to exposure to a Hazardous Substance); and (d) Hazardous Substances or conditions (matters that are prohibited, controlled or otherwise regulated, such as contaminants, pollutants, toxic substances, dangerous goods, wastes, hazardous wastes, liquid industrial wastes, hazardous materials, petroleum and other materials such as urea formaldehyde and polyurethane foam insulation, asbestos or asbestos-containing materials, polychlorinated biphenyls (PCBs) or PCB contaminated fluids or equipment, lead based paint, explosives, radioactive substances, petroleum and associated products, above ground and underground storage tanks or surface impoundments).

**"Requirements of Law"** means, with respect to any Person, the Organizational Documents of such Person and any Applicable Law or any determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its business or Property or to which such Person or any of its business or Property is subject.

**"Resolution Authority"** means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

**"Restricted Parties"** means the Borrower, the Guarantors and any person that hereafter becomes a Subsidiary of the Borrower, and their respective successors and assigns permitted by this Agreement, and **"Restricted Party"** means any one of them.



**"Revolving Period"** means, in relation to the Revolving Term Facility, the period commencing on the Closing Date and ending on the Revolving Term Facility Maturity Date.

**"Revolving Term Facility"** has the meaning set out in Section 2.01(a).

**"Revolving Term Facility Maturity Date"** means (i) December 9, 2023 or (ii) 30 days before the maturity of the CCB SBLC (such CCB SBLC to mature on January 9, 2024), whichever is earlier.

**"Rollover"** means the extension of a CDOR Loan for an additional Interest Period.

**"Sanctions"** means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority, including any sanctions or requirements imposed by, or based upon the obligations or authorities set forth in, the *Special Economic Measures Act* (Canada), the *United Nations Act* (Canada), the *Criminal Code* (Canada), the *Freezing of Assets of Corrupt Foreign Officials Act* (Canada), the *Executive Order*, the *U.S. Bank Secrecy Act* (31 U.S.C. §§ 5311 et seq.), the *U.S. Money Laundering Control Act of 1986* (18 U.S.C. §§ 1956 et seq.), the *USA Patriot Act of 2001*, the *U.S. International Emergency Economic Powers Act* (50 U.S.C. §§ 1701 et seq.), the *U.S. Trading with the Enemy Act* (50 U.S.C. App. §§ 1 et seq.), the *U.S. United Nations Participation Act*, the *U.S. Syria Accountability and Lebanese Sovereignty Act*, the *U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010* or the *Iran Sanctions Act* (United States), or any of the foreign assets control regulations of the U.S. Department of the Treasury (including but not limited to 31 CFR, Subtitle B, Chapter V) or any other law or executive order relating thereto or regulation administered by OFAC.

**"Sanctions Authority"** means any of: (a) the Canadian government; (b) the United States government; (c) the United Nations; (d) the European Union; (e) the United Kingdom; or (f) the respective governmental institutions, departments and agencies of any of the foregoing, including Global Affairs Canada, Public Safety Canada, OFAC, the United States Department of State, and Her Majesty's Treasury of the United Kingdom; "Sanctions Authorities" means all of the foregoing Sanctions Authorities, collectively.

**"Sanctions List"** means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by Her Majesty's Treasury of the United Kingdom, or any substantially similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

**"Sanctioned Person"** means:

- (i) a Person that is designated under, listed on, or owned or controlled by a Person designated under or listed on, or, to the knowledge of a Restricted Party (after due inquiry to the extent required by Applicable Law), acting on behalf of a Person designated under or listed on, any Sanctions List;
- (ii) a Person that is located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or, to the knowledge of a Restricted Party (after due inquiry to the extent required by Applicable Law), acting on behalf of, a Person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions;

- (iii) a Person that is otherwise a target of Sanctions ("target of Sanctions" signifying a Person with whom a Person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities); or
- (iv) any other Person to which the Lender would not be permitted to make a loan, or provide funding, in accordance with the Sanctions, or otherwise deal with pursuant to the Sanctions.

"**SBLCs**" means, collectively, the CCB SBLC and the BOC SBLC.

"**SBLC Indemnities**" means, collectively, the Parent Creditor Indemnity, the CCB SBLC Indemnity and the BOC SBLC Indemnity.

"**SBLC Obligations**" means, collectively:

- (a) the obligation of the Restricted Parties to reimburse and/or indemnify the SBLC Providers, including pursuant to the SBLC Indemnities, for any payment made by such SBLC Provider under or in respect of the applicable SBLC (including, without limitation (i) all amounts paid from time to time by such SBLC Provider pursuant to the applicable SBLC and (ii) all amounts owing under the SBLC Indemnities);
- (b) the obligation of the Restricted Parties to indemnify and/or reimburse the Parent Creditors, including pursuant to the Parent Creditor Indemnity, for any breach by the Parent to fulfill its obligations under the Parent Credit Agreement to pay or reimburse the Parent Creditors (or any of them) for any claim made in respect of either or both SBLCs; and
- (c) any other obligations or amounts remaining unpaid by the Restricted Parties, or any of them, to the SBLC Providers or the Parent Creditors, under or in connection with SBLCs or Parent Credit Agreement, whether arising from dealings between the SBLC Providers, Parent Creditors and any of the Restricted Parties or from any other dealings or proceedings by which the SBLC Providers or Parent Creditors may be or become in any manner whatsoever a creditor of a Restricted Party pursuant to or in connection with the SBLCs, in each case, in any currency and wherever incurred, and whether incurred by a Restricted Party alone or with another or others and whether as principal or surety, and all interest, fees, legal and other costs, charges and expenses relating thereto.

"**SBLC Providers**" means, collectively, the CCB SBLC Provider and the BOC SBLC Provider.

"**Secured Parties**" means, collectively, the Collateral Agent and the Lender.

"**Security**" means the documents creating an Encumbrance in favour of, or any collateral held from time to time by, the Intercreditor Parties securing or intended to secure repayment of the Intercreditor Obligations, including all security described in Article 10.

"**Spot Rate**" means the daily average exchange rate quoted by the Bank of Canada at approximately the close of business on the Business Day immediately preceding the date of determination; provided that, if such daily average exchange rate is for any reason unavailable, it shall mean the spot rate of exchange for wholesale transactions quoted by the Lender at

approximately noon (Toronto time) on such date in accordance with its usual practice or, if such date of determination is not a Business Day, on the Business Day immediately preceding such date of determination.

**"Subsidiary"** means, at any time, with respect to any Person, any other Person, if at such time the first mentioned Person (i) owns, directly or indirectly, securities or other ownership interests in such other Person, having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such other Person, and (ii) directly or indirectly, through the operation of any agreement or otherwise, the ability to elect or cause the election of a majority of the board of directors or other persons performing similar functions for such other Person or otherwise exercise control over the management and policies of such other Person, and in either case will include any other Person in like relationship to a Subsidiary of such first mentioned Person.

**"Taxes"** means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**"Total Interest Expense"** means, with respect to any Person for any period, without duplication, the aggregate amount of interest and other financing charges expensed by such Person on account of such period with respect to Debt, including interest, discount financing fees, commissions, discounts, the interest or time value of money component of costs related to factoring or securitizing receivables or monetizing inventory and other fees and charges payable with respect to letters of credit, letters of guarantee and bankers' acceptance financing, standby fees, the interest component of Capital Leases and net payments (if any) pursuant to Hedge Arrangements involving interest, but excluding any amount, such as amortization of debt discount and expenses, that would qualify as Depreciation Expense and the amount reflected in Consolidated Net Income for such period in respect of gains (or losses) attributable to translation of Debt from one currency to another currency, all as determined on a consolidated basis in accordance with GAAP.

**"UK Bribery Act"** means the United Kingdom Bribery Act 2010, including any subordinate legislation thereunder.

**"UK Financial Institution"** means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any Person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain Affiliates of such credit institutions or investment firms.

**"UK Resolution Authority"** means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

**"Write-Down and Conversion Powers"** means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to

the United Kingdom, any powers of the applicable UK Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that Person or any other Person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.02            **Extended Meanings**

In this Agreement words importing the singular number include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing" and the term "third party" means any person other than a person a party to this Agreement. Any reference herein or in any other Loan Document to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated, replaced or re-enacted from time to time.

1.03            **Accounting Principles**

All calculations for the purposes of determining compliance with the financial ratios and financial covenants contained in this Agreement will be made on a basis consistent with GAAP as it exists on the date of this Agreement and used in the preparation of the consolidated financial statements of the Borrower for its financial year ended December 31, 2019. In the event of a change in such GAAP, the Borrower and the Lender will negotiate in good faith to revise (if appropriate) such ratios and covenants to reflect GAAP as then in effect.

1.04            **Interest Calculations and Payments**

Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest "*per annum*" or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation and not the effective rate method of calculation or on any other basis that gives effect to the principle of deemed reinvestment of interest. Interest will continue to accrue after maturity and default and/or judgment, if any, until payment thereof, and interest will accrue on overdue interest, if any.

1.05            **Interest Act (Canada)**

- (a) For the purposes of this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other number of days in such period, as the case may be.

- (b) **THE BORROWER AND EACH OTHER RESTRICTED PARTY ACKNOWLEDGES AND CONFIRMS THAT: (A) THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, SECTION 1.04, THIS SECTION 1.05 AND ARTICLE 4 HEREOF AND THE CONSTITUENT DEFINITIONS HEREIN AND UNDER THE OTHER LOAN DOCUMENTS RELATING TO INTEREST AND OTHER AMOUNTS PAYABLE HEREUNDER AND THEREUNDER, SATISFIES THE REQUIREMENTS OF SECTION 4 OF THE *INTEREST ACT* (CANADA) TO THE EXTENT THAT SECTION 4 OF THE *INTEREST ACT* (CANADA) APPLIES TO THE EXPRESSION, STATEMENT OR CALCULATION OF ANY RATE OF INTEREST OR OTHER RATE PER ANNUM HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT; AND (B) THE BORROWER AND EACH OTHER RESTRICTED PARTY AND THEIR RESPECTIVE SUBSIDIARIES ARE EACH ABLE TO CALCULATE THE YEARLY RATE OR PERCENTAGE OF INTEREST PAYABLE UNDER ANY LOAN DOCUMENT BASED ON THE METHODOLOGY SET OUT HEREIN AND UNDER THE OTHER LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, SECTION 1.04, THIS SECTION 1.05 AND ARTICLE 4 HEREOF AND THE CONSTITUENT DEFINITIONS HEREIN AND UNDER THE OTHER LOAN DOCUMENTS RELATING TO INTEREST AND OTHER AMOUNTS PAYABLE HEREUNDER AND THEREUNDER.**
- (c) **THE BORROWER AND EACH OTHER RESTRICTED PARTY HEREBY IRREVOCABLY AGREE NOT TO, AND AGREES TO CAUSE EACH OF THEIR RESPECTIVE SUBSIDIARIES NOT TO, PLEAD OR ASSERT, WHETHER BY WAY OF DEFENCE OR OTHERWISE, IN ANY PROCEEDING RELATING TO THE LOAN DOCUMENTS, THAT THE INTEREST PAYABLE UNDER THE LOAN DOCUMENTS AND THE CALCULATION THEREOF HAS NOT BEEN ADEQUATELY DISCLOSED TO THE BORROWER, EACH OTHER RESTRICTED PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES, WHETHER PURSUANT TO SECTION 4 OF THE *INTEREST ACT* (CANADA) OR ANY OTHER APPLICABLE LAW OR LEGAL PRINCIPLE.**

1.06 **Permitted Encumbrances**

The inclusion of reference to Permitted Encumbrances in any Loan Document is not intended to subordinate and will not subordinate, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.07 **Currency**

Unless otherwise specified in this Agreement, all references to currency (without further description) are to lawful money of Canada.

1.08 **Conflicts**

In the event of a conflict between the provisions of this Agreement and the provisions of any other Loan Document, then, unless such Loan Document or an acknowledgement from the Restricted Party and the Lender relative to such Loan Document expressly states that this Section 1.08 is not applicable to such Loan Document, notwithstanding anything else contained in such other Loan Document, the provisions of this Agreement will prevail and the provisions of such other Loan Document will be deemed to be amended to the extent necessary to eliminate such conflict.

1.09 **Amendment and Restatement**

On the date on which all of the conditions set forth in Section 3.01 have been satisfied (or waived in writing by the Lender):

- (a) the Existing Credit Agreement shall be and is hereby amended and restated in the form of this Agreement; and
- (b) all advances and Loans (as that term is used in the Existing Credit Agreement) and other amounts outstanding under the Existing Credit Agreement prior to the Closing Date (including, for certainty, any issued and outstanding Letters of Credit) that are not being refinanced and continued pursuant to the CCB Qingdao Credit Agreement (including, for certainty, Section 2.04 thereof) shall continue to be outstanding under this Agreement and shall be deemed to be advances, Loans and other Obligations owing by the Borrower to the Secured Parties under this Agreement and shall continue to be secured by the Security (which represents a continuous and ongoing charge since granted in 2017).

Notwithstanding the foregoing or any other term hereof, all of the covenants, representations and warranties on the part of the Borrower under the Existing Credit Agreement and all of the claims and causes of action arising against the Borrower in connection therewith, in respect of all matters, events, circumstances and obligations arising or existing prior to the Closing Date shall continue, survive and shall not be merged in the execution of this Agreement or any other Loan Documents or any advance, Loan or provision of any advance or Loan hereunder.

For certainty, all advances and Loans (as that term is used in the Existing Credit Agreement) and other amounts outstanding under the Existing Credit Agreement prior to the Closing Date not otherwise contemplated in Section 1.09(b) above (i.e. the portion of such advances and Loans being re-financed and continued pursuant to the CCB Qingdao Credit Agreement) are being re-financed and will continue to be outstanding under the CCB Qingdao Credit Agreement and will be deemed to be advances, Loans and other Obligations (as those terms are used in the CCB Qingdao Credit Agreement) owing by the Borrower to the Secured Parties (as those terms are used in the CCB Qingdao Credit Agreement) under the CCB Qingdao Credit Agreement and shall continue to be secured by the Security (which represents a continuous and ongoing charge since granted in 2017).

1.10 **Schedules**

The following are the Schedules attached hereto and incorporated by reference and deemed to be part hereof:

Schedule A	-	Commitments
Schedule B	-	Deeply Subordinated Loans and Convertible Debentures
Schedule C	-	Form of Subordination Agreement
Schedule 1.01(A)	-	Compliance Certificate
Schedule 1.01(B)	-	Environmental Certificate
Schedule 1.01(C)	-	Drawdown Notice
Schedule 1.01(F)	-	Relevant Jurisdictions
Schedule 1.01(G)	-	Repayment Notice
Schedule 8.01(17)	-	Ownership Structure
Schedule 8.01(21)	-	Intellectual Property Rights
Schedule 8.01(25)	-	Pension Plan Disclosure
Schedule 8.01(30)	-	Controlled Account Disclosure
Schedule 9.01(5)	-	Calgary Sinoenergy Business

**ARTICLE 2 - THE CREDIT FACILITIES**

2.01 **Borrower Facilities**

Subject to the terms and conditions of this Agreement, the Lender hereby confirms the continuation and ongoing establishment of the following in favour of the Borrower:

- (a) a revolving term facility (the "**Revolving Term Facility**") initially in the amount up to Cdn.\$0, which facility will be available only during the Revolving Period; and
- (b) a non-revolving term facility (the "**Non-Revolving Term Facility**") in an amount up to Cdn.\$ 114,434,905.72 which facility has been fully advanced as of the Closing Date.

2.02 **Terms of the Revolving Term Facility**

The Revolving Term Facility will be advanced, repaid and readvanced during the term from the date of first advance pursuant to this Agreement to the expiry date expressed hereafter. The Revolving Term Facility will be required to revolve in the ordinary course by advance and repayment as provided in this Article 2 based upon the advance process.

Notwithstanding anything else in this Agreement, the Borrower shall not be permitted to obtain any Loans under the Revolving Term Facility other than (a) the Letters of Credit (and any renewals or extensions thereof) and (b) CDOR Loans solely for the reimbursement of Letters of Credit as contemplated in Section 5.01(4).

2.03 **Terms of the Non-Revolving Term Facility**

The Non-Revolving Credit Facility is fully advanced as at the Closing Date and is made available solely by way of a single Canadian Dollar CDOR Loan which will automatically Rollover at the end of each Interest Period without the requirement for notice by the Borrower. Amounts repaid under the Non-Revolving Term Facility may not be re-borrowed.

2.04 **Purpose of Credit Facilities**

Loans under the Credit Facilities will only be used for the following respective purposes:

- (a) under the Revolving Term Facility, for the sole purpose of issuing the Existing Letters of Credit and satisfying reimbursement obligations thereunder as contemplated in Section 5.01(4), and
- (b) under the Non-Revolving Term Facility, for the continuation under this Agreement of the Non-Revolving Term Facility provided for under the Existing Credit Agreement.

2.05 **Manner of Borrowing**

- (1) Subject to Section 2.02, the Borrower may in Canadian Dollars, make Drawdowns and may make Rollovers under the Revolving Term Facility by way of CDOR Loans and Letters of Credit.
- (2) The Non-Revolving Term Facility is made way of a CDOR Loan.

2.06 **Revolving Nature of Revolving Term Facility**

Subject to Section 2.02 and the other terms and conditions hereof, the Borrower may make Drawdowns, repayments and further Drawdowns up to the available amount of the Revolving Term Facility (for certainty, the aggregate amount of all Loans (including, for certainty the face amount of all Letters of Credit issued and outstanding at any time under the Revolving Term Facility) shall not exceed the Commitment under the Revolving Term Facility).

2.07 **Drawdowns**

- (1) The Borrower must give the Lender a Drawdown Notice two Business Days prior to the proposed Drawdown Date for advances less than \$5,000,000 and 5 Business Days for advances in excess of \$5,000,000. A Drawdown Date must be a Business Day.
- (2) Each Drawdown Notice, must be delivered to the Lender by the Borrower on or prior to 1:00 p.m. (Toronto time) on a Business Day. Outstanding CDOR Loans will automatically Rollover at the end of each Interest Period.



(3) Notwithstanding anything else in this Agreement, the Non-Revolving Term Facility is fully drawn and the Borrower shall not be permitted to make Drawdowns thereunder without the consent of the Lender.

2.08 **Irrevocability**

Each Drawdown Notice given by the Borrower hereunder is irrevocable and will oblige the Borrower to take the action contemplated on the date specified therein.

2.09 **Cancellation or Reduction of Revolving Term Facility**

The Borrower may, at any time, upon giving at least two Business Days' prior notice to the Lender, cancel in full or, from time to time, reduce in part the Commitment under the Revolving Term Facility; provided, however, that any reduction will be in a minimum amount of Cdn. \$500,000 and increments of Cdn. \$100,000. If as a result of such reduction the aggregate amount of Loans outstanding under the Revolving Term Facility exceeds the Commitment of the Lender thereunder, the Borrower will, upon notice from the Lender, repay Loans in an aggregate amount equal to such excess. The Borrower will not be entitled to cancel the Revolving Term Facility, or reduce it, if the result would be to have available a Revolving Term Facility less than the then issued and outstanding Letters of Credit, unless cash collateral has been provided for such Letters of Credit pursuant to Section 5.01(10).

2.10 **Account of Record**

(1) The Lender will open and maintain books of account in which it shall record all Loans and all other amounts owing by the Borrower to the Lender hereunder. The Lender will enter into the foregoing accounts details of the amount of any sum received by the Lender hereunder for the account of the Lender and all amounts from time to time owing, paid or repaid by the Borrower hereunder.

(2) The information entered in the foregoing accounts will constitute *prima facie* evidence of the obligations of the Borrower to the Lender hereunder with respect to all Loans and all other amounts owing by the Borrower to the Lender hereunder. After a request by the Borrower, the Lender will promptly advise the Borrower of such entries made in the Lender's books of account.

2.11 **CDOR Replacement**

(1) If at any time the Lender determines (which determination shall be conclusive, absent manifest error) that:

- (a) an interest rate or discount rate is not ascertainable pursuant to the provisions of the definition of "CDOR" and the inability to ascertain such rate is unlikely to be temporary;
- (b) the regulatory supervisor for the administrator of the CDOR screen rate, the Bank of Canada, an insolvency official with jurisdiction over the administrator for CDOR, a resolution authority with jurisdiction over the administrator for the

CDOR, or a court or an entity with similar insolvency or resolution authority over the administrator for CDOR, has made a public statement, or published information, stating that the administrator of CDOR, has ceased or will cease to provide CDOR, permanently or indefinitely on a specific date; provided that, at that time, there is no successor administrator that will continue to provide CDOR; or

- (c) the administrator of the CDOR screen rate or a Governmental Authority having jurisdiction over the Lender or the administrator of the CDOR screen rate has made a public statement identifying a specific date after which CDOR, or the CDOR screen rate shall no longer be made available, or used for determining the interest rate of loans or the discount rates for bankers' acceptances; provided that, at that time, there is no successor administrator that will continue to provide CDOR,

(the date of determination or such specific date in the foregoing paragraphs (a) through (c), the "**CDOR Discontinuation Date**"),

then the Lender and the Borrower shall negotiate in good faith to select a replacement index rate for CDOR and make such spread adjustments thereto and other related amendments to this Agreement that shall give due consideration to the prevailing market practice for: (x) determining a rate of interest applicable to newly originated Canadian Dollar loans made in Canada at such time, and (y) transitioning existing loans from CDOR -based rates to loans bearing interest calculated with reference to the new reference index rate.

Upon an agreement being reached between the Lender and the Borrower pursuant to the immediately preceding paragraph, the parties hereto shall enter into an amendment to this Agreement that gives effect to the replacement index rate, spread adjustments and such other related amendments as may be appropriate in the discretion of the Lender for the implementation and administration of Canadian Dollar loans bearing interest calculated with reference to the replacement index rate. If at any time the replacement index rate agreed upon to replace CDOR shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

Until an amendment reflecting the transition to a new reference index rate becomes effective as contemplated by this Section, the discount rate applicable to a Drawdown or a Rollover of a CDOR Loan shall continue to be calculated with reference to CDOR; provided that if the Lender determines (which determination shall be conclusive, absent manifest error) that a CDOR Discontinuation Date has occurred, then following the CDOR Discontinuation Date, until such time as an amending agreement adopting such a new reference index rate becomes effective as contemplated by this Section, any requested Drawdown by way of, or Rollover of, a CDOR Loan shall be calculated based on CDOR as in effect on such CDOR Discontinuation Date plus the CDOR Margin.

## 2.12 Indicative Lending Value

(1) The indicative lending value shall be estimated from time to time for the Lender, for internal tracking and regulatory purposes, in accordance with usual and customary lending parameters and practices in Canada as follows:

- (a) Annually. Upon receipt of an Engineering Report pursuant to Section 9.03(16),

the Lender may, in its sole discretion, engage a Lender's Consultant to advise on an indicative lending value; and

- (b) Semi-Annually. Upon receipt of an Engineering Report pursuant to Section 9.03(17), the Lender may, in its sole discretion, engage a Lender's Consultant to advise on indicative lending value.

(2) The Borrower agrees to reimburse the Lender for all costs and expenses related to engagement of the Lender's Consultant.

### **ARTICLE 3- CONDITIONS**

#### **3.01 Conditions Precedent to Effectiveness of this Agreement**

The effectiveness of this Agreement is subject to and conditional upon the prior satisfaction of the following conditions precedent:

- (a) the Lender will have received certified copies of the Organizational Documents of each Restricted Party, the resolutions authorizing the execution and delivery of, and performance of each Restricted Party's respective obligations under, the Loan Documents to be entered into in connection with this Agreement and the transactions contemplated herein, and a certificate as to the incumbency of the officers of the Restricted Parties executing such Loan Documents and any other documents to be provided pursuant to the provisions hereof;
- (b) except as otherwise agreed by the Lender, certificates of status or comparable certificates for the jurisdiction of formation of each Restricted Party will have been delivered to the Lender;
- (c) the Lender will have completed its due diligence with respect to the Restricted Parties, including a review of the most recent financial statements of the Restricted Parties; the results of such due diligence will be satisfactory to the Lender in its sole discretion;
- (d) except as otherwise agreed by the Lender, the Lender will have received certified copies of all shareholder, regulatory, governmental and other approvals required in order for the Restricted Parties to enter into this Agreement (and the other Loan Documents) and to perform their obligations hereunder and thereunder;
- (e) the Lender will have received payment of all fees and expenses payable to the Lender that are due and payable at such time (including, for certainty, all legal fees and expenses of Lender's Counsel);
- (f) duly executed copies of the Security will have been delivered to the Collateral Agent, certificates representing all shares or other securities pledged (along with stock powers duly executed in blank) by the Restricted Parties will have been delivered to the Collateral Agent and, other than as agreed to in writing by the Lender, all such Security will have been duly registered, filed and recorded in all

Relevant Jurisdictions where required by Applicable Law or where the Lender considers it necessary, in its sole discretion, to do so; provided that the Restricted Parties shall register, file and/or record (or cause to be registered, filed and/or recorded), in all Relevant Jurisdictions where required by Applicable Law or where the Lender considers it necessary, in its sole discretion, fixed charges in respect of the demand debentures contemplated in Sections 10.01(a) and 10.01(b) as soon as practicable, but in any event within 90 calendar days after the Closing Date, failure of which shall constitute an automatic Event of Default hereunder;

- (g) a currently dated letter of opinion of Borrower's Counsel and other counsels of Borrower as may be necessary as to such matters and in such form as Lender's Counsel deems appropriate addressed to the Lender and to Lender's Counsel will have been delivered to the Lender;
- (h) a currently dated letter of opinion of Lender's Counsel as to such matters as the Lender may stipulate addressed to the Lender will have been delivered to the Lender;
- (i) the Restricted Parties will have delivered to the Lender and the Collateral Agent certificates of insurance acceptable to the Lender and the Collateral Agent showing the Collateral Agent as a loss payee as its interest may appear and additional insured, with a standard mortgage clause endorsement, on all insurance policies that insure the assets to be secured by the Security;
- (j) the Lender will have received (i) satisfactory audited consolidated financial statements of the Borrower for the two most recent fiscal years ended prior to the Closing Date to the extent available; (ii) satisfactory unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to subclause (i) of this paragraph to the extent available; and (iii) a officer's certificate in respect of title;
- (k) **[Reserved]**
- (l) the Lender shall have received a funds flow memorandum and direction to pay from the Borrower in respect of the CCB Qingdao Credit Agreement and fees and expenses in connection with this Agreement and the CCB Qingdao Credit Agreement (including legal fees and expenses);
- (m) the Lender shall have received a certified copy of (i) the filed consent order in respect of the H. Corp. Injunction executed by the Borrower (or counsel on its behalf), H. Corp. (or counsel on its behalf) and Justice Romaine permitting the transactions contemplated hereby (including, for certainty, the CCB Qingdao Credit Agreement) and (ii) any affidavits made or filed in respect of the foregoing consent order, in each case, which shall be in form and substance satisfactory to the Lender;

- (n) the Lender shall have received a fee letter in respect of the management fees to be paid to it in connection with the administration of this Agreement and the CCB Qingdao Credit Agreement (the "**Fee Letter**");
- (o) the Lender shall have received certified copies of all documentation evidencing or relating to the Deeply Subordinated Loans and the Convertible Debentures (including, for certainty, any security relating thereto);
- (p) the CCB SBLC Provider shall have received the BOC SBLC and CCB Toronto shall have received the CCB SBLC;
- (q) the Lender shall have received the Disclosure Letter;
- (r) the applicable Intercreditor Parties shall have received a confirmation of subordination in respect of the Convertible Debentures described in Schedule B hereto;
- (s) the Lender shall have received the termination agreement in respect of loan administration agreement dated January 31, 2017 between China Construction Bank Toronto Branch and China Construction Bank Corporation, Qingdao Branch and the assignment of security made as of January 31, 2017 between China Construction Bank Toronto Branch and China Construction Bank Corporation, Qingdao Branch, the Borrower and Calgary Sinoenergy under the Existing Credit Agreement;
- (t) the representations and warranties in Section 8.01 shall be true and correct in all respects; and
- (u) no Default or Event of Default has occurred and is continuing, or would result from the execution and delivery of the Loan Documents,

provided that all documents delivered pursuant to this Section 3.01 must be in full force and effect, and in form and substance satisfactory to the Lender, acting reasonably.

### 3.02 **Conditions Precedent to all Advances**

The obligation of the Lender to make any advance hereunder by way of a Loan is subject to and conditional upon the prior satisfaction of the following additional conditions precedent:

- (a) the Lender will have received a Drawdown Notice as required under Sections 2.07(1) and 2.07(2);
- (b) the representations and warranties deemed to be repeated pursuant to Section 8.02 will continue to be true and correct in all material respects as of the Drawdown Date;

- (c) no Default or Event of Default will have occurred and be continuing on the Drawdown Date, or would result from making the requested Loan; and
- (d) all other terms and conditions of this Agreement upon which the Borrower may obtain a Loan that have not been waived will have been fulfilled.

3.03 **Waiver**

- (a) The conditions set forth in Sections 3.01 and 3.02 are inserted for the sole benefit of the Lender and may be waived by the Lender, in whole or in part (with or without terms or conditions), in respect of any Drawdown without prejudicing the right of the Lender at any time to assert such conditions in respect of any subsequent Drawdown.
- (b) Notwithstanding the requirement in this Article 3 for these deliverables to be made in order for the Agreement to be effective, they are agreed to be deferred in each case to the date following the Closing Date as set out with respect thereto:
  - (i) confirmation of subordination required in 3.01(r) is deferred until November 4, 2020; and
  - (ii) the Saskatchewan legal opinion with respect to the registrations made in Saskatchewan for the purposes of 3.01(f) is deferred until October 30, 2020;

unless waived or extended in writing, any failure to deliver in the time referenced above will constitute an automatic Event of Default.

**ARTICLE 4 - PAYMENTS OF INTEREST  
AND STANDBY FEES**

4.01 **Interest on CDOR Loans**

The Borrower will pay interest on each CDOR Loan during each Interest Period applicable thereto in Canadian Dollars at a rate *per annum* equal to the sum of (a) CDOR plus (b) the CDOR Margin in effect, in each case, from time to time during such Interest Period. Each determination by the Lender of the CDOR and the CDOR Margin applicable from time to time during an Interest Period will, in the absence of manifest error, be binding upon the Borrower. Such interest will be payable in arrears on each Interest Payment Date for such Loan and will be calculated on the principal amount of the CDOR Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Changes in the CDOR and the CDOR Margin will cause an immediate adjustment of the interest rate applicable to such Loan without the necessity of any notice to the Borrower.

4.02 **Before and After Judgment Interest**

Without duplication to Section 4.03, if a Default or Event of Default has occurred and is continuing, all amounts outstanding hereunder (including, without duplication, all Loans

and interest in respect thereof) shall bear interest, after as well as before judgment, at a rate per annum equal to the rate specified in Section 4.01 plus 200 bps (2.00%).

4.03 **Interest on Payments in Arrears**

Without duplication to Section 4.02, if any fees or other amount payable by the Restricted Parties hereunder or under the other Loan Documents (other than principal or interest on any Loan) is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment at a rate per annum equal to the rate specified in Section 4.01 or Section 4.02, as applicable.

4.04 **Standby Fees**

The Borrower will pay to the Lender a standby fee in Canadian Dollars calculated at the rate per annum specified as the applicable "Standby Fee Rate" in the applicable table contained in the definition of "Applicable Margin" on the daily unadvanced portion of the Revolving Term Facility during each Fiscal Quarter. The standby fee will be determined daily beginning on the date hereof and will be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and will be payable by the Borrower quarterly in arrears on the first Business Day following the end of each quarter.

4.05 **Maximum Rate of Interest**

Notwithstanding anything contained herein to the contrary, the Borrower will not be obliged to make any payment of interest or other amounts payable to the Secured Parties hereunder in excess of the amount or rate that would be permitted by Applicable Law or would result in the receipt by a Secured Party of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)). If the making of any payment by the Borrower would result in a payment being made that is in excess of such amount or rate, the applicable Secured Party will determine the payment or payments that are to be reduced or refunded, as the case may be, so that such result does not occur.

**ARTICLE 5 - LETTERS OF CREDIT**

5.01 **Letters of Credit**

(1) If the Borrower wishes to request that a Letter of Credit be issued under the Revolving Term Facility, the Borrower will, at the time it delivers a Drawdown Notice pursuant to Sections 2.07(1) and 2.07(2) requesting a Drawdown by way of Letters of Credit, execute and deliver to the Lender the Lender's usual documentation relating to the issuance and administration of letters of credit. In the event of any inconsistency between the terms of such documentation and this Agreement, the terms of this Agreement will prevail.

(2) Each Letter of Credit will be in a form and on such terms as determined by the Lender in its sole and unfettered discretion.

(3) No Letter of Credit may be issued for a period in excess of 364 days or beyond the Revolving Term Facility Maturity Date.

(4) If, at any time, a demand for payment is made under any Letter of Credit, the Borrower will forthwith pay to and reimburse the Lender for all payments made by the Lender to any Person pursuant to any Letter of Credit and all charges and expenses incurred by the Lender in connection with payment under the Letter of Credit (collectively, the "**Reimbursement Amount**"); provided that, unless the Borrower reimburses the Lender for such Reimbursement Amount on or before the date it is made, such Reimbursement Amount shall be made by way of the application of the cash collateral held by the Lender pursuant to Section 5.01(10). If the application of cash collateral contemplated above is (i) not sufficient to fully reimburse the Lender for the full Reimbursement Amount, the remaining Reimbursement Amount owing by the Borrower shall be deemed, as and from the date of such payment, to be an advance to the Borrower of a CDOR Loan under the Revolving Term Facility with the proceeds of such advance being applied against such remaining Reimbursement Amount, and the provisions hereof relating to such CDOR Loans (including interest to be calculated thereon) shall apply thereto or (ii) sufficient (or not required in full or in part) to fully reimburse the Lender for such Reimbursement Amount, the balance of such cash collateral, if any, shall be applied (A) prior to the occurrence and continuance of an Event of Default, as a permanent prepayment of Loans under the Non-Revolving Term Facility and (B) after the occurrence and during the continuance of an Event of Default, in accordance with Section 11.07.

(5) The Borrower hereby undertakes to indemnify and hold harmless the Lender from and against all liabilities and costs (including any costs incurred in funding any amount that falls due from the Lender under any Letter of Credit hereunder) to the extent that such liabilities and costs are not satisfied or compensated by the payment of interest on sums due pursuant to this Agreement in connection with any Letter of Credit except where such liabilities or costs result from the gross negligence or wilful misconduct of the Person claiming indemnification.

(6) The Lender will at all times be entitled, and is irrevocably authorized by the Borrower, to make any payment under a Letter of Credit for which a request or demand has been made in the required form without any further reference to the Borrower and any investigation or enquiry, need not concern itself with the propriety or validity of any claim made or purported to be made under the terms of such Letter of Credit (except as to compliance with the payment conditions of such Letters of Credit) and will be entitled to assume that any Person expressed in such Letter of Credit as being entitled to make demand or receive payments thereunder is so entitled. Accordingly, so long as a request or demand has been made as aforementioned, it will not be a defence to any demand made of the Borrower hereunder, nor will the obligations of the Borrower hereunder be impaired by the fact (if it be the case) that the Lender was or might have been justified in refusing payment, in whole or in part, of the amounts so claimed.

(7) A certificate of the Lender as to the amounts paid by the Lender under any Letter of Credit will, in the absence of manifest error, be prima facie evidence of the existence and amount of such payment in any legal action or proceeding arising out of or in connection herewith.

(8) Prior to the issuance of the Letter of Credit or any extension thereof, the Borrower will pay to the Lender a fee at the Letter of Credit Fee Rate calculated on the amount of the Letter of Credit in Canadian Dollars on the basis of a calendar year for the number of days from the date of issuance or extension of the Letter of Credit until its expiry date.



(9) The obligations of the Borrower with respect to Letters of Credit will be unconditional and irrevocable, and must be paid or performed strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

- (a) any lack of validity or enforceability of any Loan Document or the applicable Letter of Credit;
- (b) any amendment or waiver of or any consent to or actual departure from this Agreement;
- (c) the existence of any claim, set-off, defence or other right which the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), the Lender or any other Person or entity, whether in connection with this Agreement, the transactions contemplated herein or in any other agreements or any unrelated transactions;
- (d) any document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect except for non-compliance with the payment conditions of such Letter of Credit; or
- (e) any other circumstance whatsoever, whether or not similar to any of the foregoing.

At the option of the Lender, either the *Uniform Customs and Practice* for documentary credits or the *International Standby Practices*, each published by the International Chamber of Commerce, current on the issue of each Letter of Credit will be binding on the Borrower and the Lender with respect to each such Letter of Credit. The Borrower assumes all risks of the acts or omissions of the beneficiary of each Letter of Credit with respect to such Letter of Credit. In furtherance of, and not in limitation of, the Lender's rights and powers under such *Uniform Customs and Practice* or *International Standby Practices*, as applicable, but subject to all other provisions of this Section 5.01, it is agreed that the Lender will not have any liability for, and that the Borrower assumes all responsibility for: (i) the genuineness of any signature, (ii) the form, validity, genuineness, falsification and legal effect of any draft, certification or other document required by a Letter of Credit or the authority of the Person signing the same, (iii) the failure of any instrument to bear any reference or adequate reference to a Letter of Credit or the failure of any Person to note the amount of any instrument on the reverse of a Letter of Credit or to surrender a Letter of Credit, (iv) the good faith or acts of any Person other than the Lender and its agents and employees, (v) the existence, form or sufficiency or breach or default under any agreement or instrument of any nature whatsoever, (vi) any delay in giving or failure to give any notice, demand or protest, and (vii) any error, omission, delay in or nondelivery of any notice or other communication, however sent. The determination as to whether the required documents are presented prior to the expiration of a Letter of Credit and whether such other documents are in proper and sufficient form for compliance with a Letter of Credit will be made by the Lender in its sole discretion, which determination will be conclusive and binding upon the Borrower absent manifest error. It is agreed that the Lender may honour, as complying with the terms of a Letter of Credit and this Agreement, any documents appearing to be in order and signed or issued by the beneficiary thereof. Any

action, inaction or omission on the part of the Lender under or in connection with any Letter of Credit or any related instrument or document, if in good faith and in conformity with such laws, regulations or commercial or banking customs as the Lender may reasonably deem to be applicable, will be binding upon the Borrower, and will not affect, impair or prevent the vesting of any of the Lender's rights or powers hereunder or the Borrower's obligation to make full reimbursement of amounts drawn under the Letters of Credit. Notwithstanding the provisions of this Section 5.01(9), the Borrower will not be responsible, and no Person will be relieved of responsibility under this Article 5, for any gross negligence or wilful misconduct of such Person.

(10) All Letters of Credit issued under the Revolving Term Facility (including, for certainty, the Existing Letters of Credit) shall be cash collateralized in an amount equal to no less than 100% of the undrawn face value thereof and, prior to such issuance, the Borrower shall pay to the Lender for deposit into a cash collateral account, for the account of (and in the name of) the Lender, an amount no less than the aggregate face amount thereof. If at any time the face amount of a Letter of Credit is reduced or a Letter of Credit is returned or cancelled, then any excess cash collateral shall be applied (A) as a permanent prepayment of Loans under the Non-Revolving Term Facility and (B) after the occurrence and during the continuance of an Event of Default, in accordance with Section 11.07.

(11) The Existing Letters of Credit will be deemed to be Letters of Credit issued hereunder, provided that, so long as the cash collateral provided to the Lender covers 100% of the potential Reimbursement Amount with respect thereto, the quantum of the Revolving Term Facility will be zero. Any amount not so covered will be deemed outstanding as Debt under the Revolving Term Facility. Notwithstanding the foregoing, the Existing Letters of Credit will be administered and managed (including, for certainty, the fees and cash collateral, in accordance with the Credit Agreement and this Article 5).

## **ARTICLE 6- REPAYMENT**

### **6.01 Mandatory Repayment - Revolving Term Facility**

The Borrower will repay in full the outstanding principal amount of all Loans and other Obligations under the Revolving Term Facility on or before the Revolving Term Facility Maturity Date.

### **6.02 Mandatory Repayment - Non-Revolving Term Facility**

The Borrower will repay the outstanding principal amount of all Loans and all other Obligations under or in connection with the Non-Revolving Term Facility on or before the Non-Revolving Term Facility Maturity Date.

### **6.03 Mandatory Repayment Based on Adjusted Excess Cash Flow – Non-Revolving Term Facility**

(1) Not later than 45 days following each Fiscal Quarter, beginning with the Fiscal Quarter ended March 31, 2021, and for each subsequent Fiscal Quarter, the Borrower will determine Adjusted Excess Cash Flow for such period.

(2) Once Adjusted Excess Cash Flow has been determined in accordance with Section 6.03(1), on the date specified therein, in addition to the repayments required under Sections 6.01, 6.02 and 6.04, the Borrower will make a repayment under the Non-Revolving Term Facility in Canadian Dollars in an amount equal to 5% of the Adjusted Excess Cash Flow so determined.

(3) All repayments under this Section 6.03 will be applied as a permanent repayment of Loans outstanding under the Non-Revolving Term Facility, on a *pro rata* basis with the repayments of principal required under Section 6.03 of the CCB Qingdao Credit Agreement. Such repayments under this Section 6.03 may be reduced in the sole discretion of the CCB Qingdao Administrative Agent (on behalf of the CCB Qingdao Lenders) and the Lender, as applicable. For certainty, "*pro rata* basis" for the purposes of allocating any repayments under this Section 6.03 shall be based on actual amounts paid (or to be paid) with respect to the cash sweep obligations pursuant to this Section 6.03 and Section 6.03 of the CCB Qingdao Credit Agreement (i.e. if all or a portion of a repayment is declined under Section 6.03 of the CCB Qingdao Credit Agreement, then such declined portion shall also be required to be applied hereunder as a permanent repayment of Loans outstanding under the Non-Revolving Term Facility, at the sole discretion of the Lender).

#### 6.04 **Other Mandatory Repayments – Non-Revolving Term Facility**

(1) If a Restricted Party receives Net Proceeds in any amount, the Borrower will have an obligation under this Section 6.04 to make a repayment under the Non-Revolving Term Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such Net Proceeds unless otherwise agreed to by the Lender in its sole discretion and in accordance with any instructions provided by the Lender. Immediately upon a Restricted Party receiving such Net Proceeds, the Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility, subject to Section 6.04(5).

(2) If a Restricted Party receives a payment of proceeds pursuant to or in connection with the issuance of Debt permitted pursuant to Section 9.04(5) (other than Debt that constitutes Additional Contributions), the Borrower will have an obligation under this Section 6.04 to make a repayment under the Non-Revolving Term Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such proceeds (subject to Section 6.04(5)) unless otherwise agreed to by the Lender in its sole discretion and in accordance with any instructions provided by the Lender. Immediately upon a Restricted Party receiving such proceeds, the Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility, subject to Section 6.04(5).

(3) If a Restricted Party receives a payment of proceeds pursuant to or in connection with the issuance or sale of any Equity (other than Equity that constitutes Additional Contributions), the Borrower will have an obligation under this Section 6.04 to make a repayment under the Non-Revolving Term Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such proceeds (subject to Section 6.04(5)) unless otherwise agreed to by the Lender in its sole discretion and in accordance with any instructions provided by the Lender. Immediately upon a Restricted Party receiving such proceeds, the Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility, subject to Section 6.04(5).

(4) If a Restricted Party receives a payment of net insurance proceeds under or in connection with an insurance policy in connection with the loss, damage or destruction of any property, then immediately upon receipt of such payment the Borrower shall prepay the Non-Revolving Term Facility in an amount equal to the Equivalent Amount Canadian Dollars of the portion of such net insurance proceeds that has not been applied to the repair or replacement of such property from which such proceeds were derived (subject to Section 6.04(5)). The Borrower will provide the Lender with a Repayment Notice and repay Loans under the Non-Revolving Term Facility after the giving of the Repayment Notice, subject to Section 6.04(5).

(5) Each repayment under this Section 6.04 will be applied as a permanent repayment of Loans outstanding under the Non-Revolving Term Facility, on a *pro rata* basis with the corresponding repayments of principal required under Section 6.04 of the CCB Qingdao Credit Agreement. For certainty, "*pro rata* basis" for the purposes of allocating any repayments under this Section 6.04 shall be based on actual amounts paid (or to be paid) with respect to the cash sweep obligations pursuant to this Section 6.04 and Section 6.04 of the CCB Qingdao Credit Agreement (i.e. if all or a portion of a repayment is declined under Section 6.04 of the CCB Qingdao Credit Agreement, then such declined portion shall also be required to be applied hereunder as a permanent repayment of Loans outstanding under the Non-Revolving Term Facility, at the sole discretion of the Lender).

6.05 **Voluntary Prepayments and Reductions – Non-Revolving Term Facility**

If the Lender has received a Repayment Notice from the Borrower not less than ten Business Days prior to the proposed prepayment date, the Borrower may from time to time prepay Loans outstanding under the Non-Revolving Term Facility without penalty.

6.06 **Repayment Compensation**

If the Borrower by reason of any repayment hereunder, whether mandatory or voluntary, pays any CDOR Loan prior to the end of the applicable Interest Period, the Borrower will compensate the Lender for any loss or expense that the Lender incurs as a result thereof, including any breakage costs.

**ARTICLE 7 - PLACE AND APPLICATION OF PAYMENTS**

7.01 **Place of Payment of Principal, Interest and Fees**

All payments of principal, interest, fees and other amounts to be made by the Borrower pursuant to this Agreement will be made in the currency in which such amounts are due for value on the day such amount is due or, if such day is not a Business Day, on the Business Day next following with interest, by deposit or transfer thereof to the account designated from time to time in writing by the Lender at the Lending Office. The Borrower irrevocably authorizes and directs Lender to automatically debit, by mechanical, electronic or manual means, any bank account of Borrower for all amounts payable by Borrower pursuant to this Agreement (including, for certainty, in order to effect the application of the cash collateral contemplated in Section 5.01(4) to the reimbursement obligations described therein owing by the Borrower to the Lender).

7.02 **Netting of Payments**

If, on any date, amounts would be due and payable under this Agreement in the same currency by a Restricted Party to the Secured Parties, and by the Secured Parties to a Restricted Party, then, on such date, the obligations of each such party to make payment of any such amount will be automatically satisfied and discharged if the amounts payable are the same. If the aggregate amount that would otherwise have been payable by a Restricted Party to the Secured Parties exceeds the aggregate amount that would otherwise have been payable by the Secured Parties to a Restricted Party or *vice versa*, such obligations will be replaced by an obligation upon whichever of the Restricted Party or the Secured Parties would have had to pay the larger aggregate amount, to pay to the other the excess of the larger aggregate amount over the smaller aggregate amount. For greater certainty, prior to acceleration of repayment pursuant to Section 11.02, this Section 7.02 will not permit the Secured Parties to exercise a right of set-off, combination or similar right against any amount which a Restricted Party may have on deposit with the Secured Parties in respect of any amount to which netting is to apply pursuant to this Section 7.02, but will apply only to determine the net amount to be payable by the Secured Parties to a Restricted Party, or by a Restricted Party to the Secured Parties.

**ARTICLE 8 - REPRESENTATIONS AND WARRANTIES**

8.01 **Representations and Warranties**

The Borrower represents and warrants to the Secured Parties as follows, and acknowledges and confirms that the Secured Parties are relying upon such representations and warranties:

(1) **Existence and Qualification** Each of the Restricted Parties (a) that is a corporation or company has been duly incorporated, amalgamated or continued, as the case may be, and is validly subsisting as a corporation or company under the laws of its jurisdiction of incorporation, amalgamation, or continuance, as the case may, (b) that is not a corporation or company has been duly created or established as a partnership or other entity and validly exists under the laws of the jurisdiction in which it has been created or established, and (c) is duly qualified to carry on business in all jurisdictions in which it carries on business and has all Material Licences.

(2) **Power and Authority** Each of the Restricted Parties has the power, authority and right (a) to enter into and deliver, and to exercise its rights and perform its obligations under, the Loan Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Loan Documents, and (b) to own its Property and carry on its business as currently conducted and as currently proposed to be conducted by it.

(3) **Execution, Delivery, Performance and Enforceability of Documents** The execution, delivery and performance of each of the Loan Documents to which a Restricted Party is a party, and every other instrument or agreement delivered by it pursuant to any Loan Document, has been duly authorized by all actions, if any, required on its part and by its shareholders and directors (or where applicable partners, members or managers), and each of the Loan Documents and such other instruments and agreements has been duly executed and delivered and constitutes a valid and legally binding obligation of the particular Restricted Party enforceable against it in

accordance with its terms subject to bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application limiting the enforcement of creditors' rights generally and to general equitable principles.

(4) Loan Documents Comply with Applicable Laws, Organizational Documents and Contractual Obligations Neither the entering into nor the delivery of, and neither the consummation of the transactions contemplated in nor compliance with the terms, conditions and provisions of, the Loan Documents by any Restricted Party conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Requirement of Law applicable to it or any of its Organizational Documents (except, in each case, where such conflict, breach, default, or contravention would not, individually or in the aggregate, constitute, or be reasonably likely to result in, a Material Adverse Change).

(5) Consents Respecting Loan Documents Each of the Restricted Parties has obtained, made or taken all consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required as to the date hereof in connection with the execution and delivery by it of each of the Loan Documents to which it is a party and the consummation of the transactions contemplated in the Loan Documents.

(6) Security The Security constitutes a valid first security interest and first floating charge on the relevant assets of the Restricted Parties, subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto.

(7) Taxes Other than as set forth in the Disclosure Letter, each of the Restricted Parties has paid or made adequate provision for the payment of all Taxes levied on it or on its Property or income that are due and payable, including interest and penalties, or has accrued such amounts in its financial statements for the payment of such Taxes except Taxes that are not material in amount, that are not delinquent or if delinquent are being contested, and in respect of which non-payment would not individually or in the aggregate constitute, or be reasonably likely to cause, a Material Adverse Change, and there is no material action, suit, proceeding, investigation, audit or claim now pending, or to its knowledge threatened, by any Governmental Authority regarding any Taxes nor has it agreed to waive or extend any statute of limitations with respect to the payment or collection of Taxes.

(8) Judgments, Etc. Other than as set forth in the Disclosure Letter, none of the Restricted Parties 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) that has not been stayed or of which enforcement has not been suspended and that individually or in the aggregate constitutes, or is reasonably likely to cause, a Material Adverse Change.

(9) Absence of Litigation Other than as set forth in the Disclosure Letter, there are no actions, suits or proceedings pending or, to the best of the Borrower's knowledge and belief, after due inquiry and all reasonable investigation, threatened against or affecting any Restricted Party that are reasonably likely to cause, either separately or in the aggregate, a Material Adverse

Change. None of the Restricted Parties is in default with respect to any Applicable Law in a manner or to an extent that could reasonably be expected to cause a Material Adverse Change.

(10) Title to Assets Other than as set forth in the Disclosure Letter, each of the Restricted Parties has good title to its Property, free and clear of all Encumbrances except Permitted Encumbrances and no Person has any agreement or right to acquire an interest in such Property other than in the ordinary course of the business of the applicable Restricted Party.

(11) Use of Real Property All real property owned or leased by each of the Restricted Parties may be used in all material respects by it pursuant to Applicable Law for the present use and operation of the material elements of the business conducted, or intended to be conducted, on such real property by it except where non compliance with any such Applicable Law could not constitute, or be reasonably be expected, individually or in the aggregate, to constitute, or cause, a Material Adverse Change.

(12) Operation of Properties To the Borrower's knowledge, all of its oil and gas properties 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 could not be reasonably expected to have a Material Adverse Effect.

(13) Labour Relations None of the Restricted Parties is engaged in any unfair labour practice that could reasonably be expected to cause a Material Adverse Change; and there is no unfair labour practice complaint pending against any of the Restricted Parties, or threatened against any of them, before any Governmental Authority that if adversely determined could reasonably be expected to cause a Material Adverse Change. No grievance or arbitration arising out of or under any collective bargaining agreement is pending against any of the Restricted Parties or threatened against any of them. No strike, labour dispute, slowdown or stoppage is pending against any of the Restricted Parties or threatened against any of them and no union representation proceeding is pending with respect to any employees of the Restricted Parties, except (with respect to any matter specified in this sentence, either individually or in the aggregate) such as could not reasonably be expected to cause a Material Adverse Change.

(14) Pension No Restricted Party has established or maintains any Pension Plan.

(15) Compliance with Laws Other than as set forth in the Disclosure Letter, none of the Restricted Parties is in default under any Applicable Law where such default could reasonably be expected to cause a Material Adverse Change or affect its ability to perform any of its obligations under any Loan Document to which it is a party.

(16) No Default Other than (a) as set forth in the Disclosure Letter, and (b) the failure of the Borrower to pay interest in respect of the Borrower's existing Convertible Debentures held by Calgary Sinoenergy, none of the Restricted Parties is in default under any agreement, guarantee, indenture or instrument to which it is a party or by which it is bound, the breach of which could reasonably be expected to cause a Material Adverse Change or affect its ability to perform any of its obligations under any Loan Document to which it is a party.

(17) Ownership Structure The ownership structure of the Borrower and its Subsidiaries is as set out in Schedule 8.01(17), which contains:

- (a) a list of all Restricted Parties; and
- (b) complete and accurate information respecting:
  - (i) each such Restricted Party's name (including any French and English forms of name) and the jurisdiction in which each Restricted Party was formed;
  - (ii) the address (including postal code or zip code) of each Restricted Party's chief executive office and chief place of business and, if the same is different, the address at which the books and records of such Restricted Party are located, the address at which senior management of such Restricted Party are located and conduct their deliberations and make their decisions with respect to the business of such Restricted Party and the address from which the invoices and accounts of such Restricted Party are issued; and
  - (iii) the authorized capital of the Borrower and each Restricted Party, the number of issued and outstanding shares of each such Person and the beneficial owners thereof.

(18) Relevant Jurisdictions The Relevant Jurisdictions for each Restricted Party are set forth on Schedule 1.01(F).

(19) Security The Security is effective to create in favour of the Secured Parties, as security for the Obligations, a legal, valid, binding and enforceable security interest in the collateral described therein and proceeds thereof.

(20) Liens and Indebtedness Other than as set forth in the Disclosure Letter, no Restricted Party has any material liens on its property, other than the Security and Permitted Encumbrances, and has not incurred or assumed any Debt, other than Permitted Debt.

(21) Intellectual Property Rights Each of the Restricted Parties has sufficient Intellectual Property Rights reasonably necessary for the conduct of its businesses. To the Borrower's knowledge, none of the Restricted Parties is infringing or is alleged to be infringing the Intellectual Property Rights of any other Person in a manner that could reasonably be expected to cause, or if any allegation is determined adversely could reasonably be expected to cause, a Material Adverse Change other than as disclosed in Schedule 8.01(21).

(22) Financial Statements All of the quarterly and annual financial statements that have been furnished to the Lender in connection with this Agreement are complete in all material respects and such financial statements fairly present the financial position of the Borrower or other Restricted Party, as the case maybe, as of the dates referred to therein and have been prepared in accordance with GAAP. None of the Restricted Parties has any liabilities (contingent or other) or other obligations of the type required to be disclosed in accordance with GAAP that are not fully disclosed on the consolidated financial statements of the Borrower provided to the Lender for the



fiscal period ended December 31, 2019 and thereafter, the most recently delivered consolidated financial statements provided to the Lender in accordance with Section 9.03(2)(b), other than liabilities and obligations incurred in the ordinary course of business, and the Obligations.

(23) No Material Adverse Change Other than as set forth in the Disclosure Letter, since the date of the Borrower's most recent annual audited financial statements provided to the Lender, there has been no condition (financial or otherwise), event or change in any Restricted Party's business, liabilities, operations, results of operations, assets or prospects which constitutes, or could reasonably be expected to constitute, or cause, a Material Adverse Change.

(24) Environmental Matters

- (a) The assets of each Restricted Party and its operations are in full compliance in all respects with all Environmental Laws; the Borrower is not aware of, nor has it received notice of, any past, present or future condition, event, activity, practice or incident that may interfere with or prevent the compliance or continued compliance of it or any other Restricted Party in all respects with all Environmental Laws; and each Restricted Party has obtained all licences, permits and approvals that are currently required under all Environmental Laws and is in full compliance with the provisions of such licences, permits and approvals, in each case except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (b) The Borrower is not aware that any Hazardous Substances exist on, about or within or have been used, generated, stored, transported, disposed of on, or released from any of its Property or the Property of any other Restricted Party other than in material accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (c) The use which each Restricted Party has made and intends to make of its Property will not result in the use, generation, storage, transportation, accumulation, disposal, or release of any Hazardous Substances on, in or from any such property except in accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (d) There is no action, suit or proceeding, or, to its knowledge, any investigation or inquiry, before any Governmental Authority pending or, to its knowledge, threatened against any Restricted Party relating in any way to any Environmental Law that would or could reasonably be expected to cause a Material Adverse Change.
- (e) No Restricted Party has (i) incurred any current and outstanding liability for any clean-up or remedial action under any Environmental Law with respect to current or past operations, events, activities, practices, incidents or the condition or use of any Property owned currently or in the past, (ii) received any outstanding written

request for information (other than information to be provided in the normal course in connection with applications for licences, permits or approvals) by any Person under any Environmental Law with respect to the condition, use or operation of its Property, or (iii) received any outstanding written notice or claim under any Environmental Law with respect to any material violation of or liability under any Environmental Law or relating to the presence of Hazardous Substance on or originating from its Property, that, in any such case, would or could reasonably be expected to cause a Material Adverse Change.

(25) Pension Plans With respect to Pension Plans, except as disclosed on Schedule 8.01(25), (a) no steps have been taken to terminate any Pension Plan (wholly or in part) that could result in any of the Restricted Parties being required to make an additional contribution to the Pension Plan, (b) no contribution failure has occurred with respect to any Pension Plan of a Restricted Party sufficient to give rise to a lien or charge under any applicable pension benefits laws, and (c) no condition exists and no event or transaction has occurred with respect to any Pension Plan that is reasonably likely to result in any Restricted Party incurring any material liability, fine or penalty. Except as disclosed on Schedule 8.01(25), (i) each Pension Plan of each Restricted Party is in compliance in all material respects with all Applicable Laws, (ii) all contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Applicable Laws and the terms of each such Pension Plan have been made in accordance with all Applicable Laws and the terms of each such Pension Plan, (iii) all liabilities under each such Pension Plan are funded, on a going concern and solvency basis, in accordance with the terms of the respective Pension Plans, the requirements of applicable pension benefits laws and of applicable regulatory authorities and the most recent actuarial report filed with respect to the Pension Plan, and (iv) no event has occurred and no conditions exist with respect to any Pension Plan that have resulted or could reasonably be expected to result in any Pension Plan having its registration revoked or refused for the purposes of any administration of any relevant pension benefits regulatory authority or being required to pay any Taxes under any Applicable Laws, except for any exceptions to clauses (ii) through (iv) above that, individually or in the aggregate, could not reasonably be expected to cause a Material Adverse Change.

(26) Full Disclosure All information provided or to be provided to the Lender in connection with the Credit Facilities (including, for certainty, all information in the Disclosure Letter) is, to the Borrower's knowledge, true and correct and none of the documentation furnished to the Lender by or on behalf of the Borrower, to the Borrower's knowledge, omits or will omit as of such time, a material fact necessary to make the statements contained therein not misleading in any material way, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by it (and any other Person who furnished such material on behalf of it).

(27) Anti-Corruption Laws; Anti-Terrorism Laws; Sanctions

(a) No part of the proceeds of any advance or Loan (including, for certainty, any issuance of a Letter of Credit) will be used, directly or to the knowledge of a Restricted Party and their respective Subsidiaries (after due inquiry to the extent required by Applicable Law) indirectly, to fund any operations in, finance any

investments or activities in, or make any payments to, a Sanctioned Person in any manner that would result in any violation by any Person (including the Secured Parties) of (A) any Sanctions or (B) applicable regulations, rules and executive orders administered by any Sanctions Authority.

- (b) None of the Borrower, any other Restricted Party nor any of their respective Subsidiaries (A) is, or will become a Sanctioned Person or (B) engages or will engage in any dealings or transactions, or is or will be otherwise associated, with any Sanctioned Person that would result in any violation of (x) any Sanctions or (y) applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (c) Each of the Borrower, the other Restricted Parties and their respective Subsidiaries is, and has conducted its business, in compliance in all respects with all Sanctions and all applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (d) Each of the Borrower, the other Restricted Parties and their respective Subsidiaries is, and has conducted its business, in compliance with all Anti-Money Laundering/ Anti-Terrorist Financing Laws.
- (e) To the knowledge of any Restricted Party, the Borrower, each other Restricted Party and their respective Subsidiaries are not the subject of any investigation, inquiry or enforcement proceedings by any Governmental Authority regarding any offense or alleged offense under any Anti-Corruption Laws or Anti-Money Laundering/ Anti-Terrorist Financing Laws in which there is a possibility of an adverse decision and no such investigation, inquiry or proceeding is pending or has been threatened.
- (f) Each of the Borrower, the other Restricted Parties and their respective Subsidiaries is, and has conducted its business, in compliance with all Anti-Corruption Laws. No part of the proceeds of any advance or Loan (including, for certainty, any issuance of a Letter of Credit) hereunder or under the Existing Credit Agreement has been used or will be used, directly or, to the knowledge of a Restricted Party (after due inquiry to the extent required by Applicable Law), indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in a governmental capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Laws.
- (g) The Borrower, each other Restricted Party and their respective Subsidiaries have policies and procedures in place to ensure that each of the foregoing representations and warranties in this Section 8.01(27) are true and correct at all times.
- (28) Section 4 of the *Interest Act* (Canada)
  - (a) This Agreement, including, without limitation, Section 1.04, Section 1.05 and Article 4 hereof and the constituent definitions herein and under the other Loan

Documents relating to interest and other amounts payable hereunder and thereunder, satisfies the requirements of section 4 of the *Interest Act* (Canada) to the extent that such section 4 of the *Interest Act* (Canada) applies to the expression, statement or calculation of any rate of interest or other rate per annum hereunder or under any other Loan Document.

- (b) The Borrower, each other Restricted Party and their respective Subsidiaries are each able to calculate the yearly rate or percentage of interest payable under any Loan Document based on the methodology set out herein and under the other Loan Documents, including, without limitation, Section 1.04, Section 1.05 and Article 4 hereof and the constituent definitions herein and under the other Loan Documents relating to interest and other amounts payable hereunder and thereunder.

(29) Deeply Subordinated Loans and Convertible Debentures As of the date hereof, there are no Deeply Subordinated Loans or Convertible Debentures except those described in Schedule B hereto.

(30) Controlled Accounts Schedule 8.01(30) contains a complete and accurate list of all Controlled Accounts as of the date hereof.

(31) Real Property The officer's certificate in respect of title to be delivered on the Closing Date contain a correct and complete list of all real property owned and leased by the respective Restricted Party party thereto (including, without limitation, a legal description of all owned real property and leased real property (freehold, Crown, surface, mineral or otherwise)).

(32) No Financial Assistance All Financial Assistance given by the Restricted Parties and outstanding on the date hereof is described in Section 9.04(6) of the Disclosure Letter.

## 8.02 Survival and Repetition of Representations and Warranties

The representations and warranties set out in Section 8.01 survive the execution and delivery of this Agreement and all other Loan Documents and will be deemed to be repeated by the Borrower as of the date of each Compliance Certificate delivered hereunder. To the extent that on or prior to such date (a) the Borrower has advised the Lender in writing of a variation in any such representation or warranty, and (b) if such variation, in the opinion of the Lender, acting reasonably, is material to the Property, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of any Restricted Party considered as a whole or could have, or be reasonably likely to result in, a Material Adverse Change, and the Lender has approved such variation, then such representation and warranty will thereafter be deemed to be varied as approved by the Lender.

## ARTICLE 9 - COVENANTS

### 9.01 Positive Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Lender, the Borrower will, and will ensure that each Restricted Party will (as applicable):

(1) Timely Payment Make due and timely payment of the Obligations required to be paid by it hereunder.

(2) Maintenance and Operation of Properties Maintain and operate its property, or, if it is not the operator, use reasonable efforts to ensure that such property is maintained and operated, in accordance with sound industry practice and in accordance in all respects with Applicable Law, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(3) Performance of Agreements Other than as set forth in the Disclosure Letter, perform their 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 could 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.

(4) Comply with Law and Maintain Permits Other than as set forth in the Disclosure Letter, 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 Governmental Authorities, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(5) Conduct of Business, Maintenance of Existence, Compliance with Laws Engage in business of the same general type as now conducted by it; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; and take all reasonable action to maintain all rights, privileges and franchises necessary in the normal conduct of its business and to comply in all material respects with all Requirements of Law, including Requirements of Environmental Law. For certainty, Calgary Sinoenergy will solely hold the shares and loans (along with any Deeply Subordinated Loans) and have the liabilities as described in Schedule 9.01(5).

(6) Further Assurances Use reasonable efforts to provide the Lender with such other documents, opinions, consents, acknowledgments and agreements as are reasonably necessary to implement this Agreement and the other Loan Documents from time to time.

(7) Access to Information Promptly provide the Lender with all information reasonably requested by the Lender from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Lender to inspect any of its Property subject to guidelines provided by the Borrower, acting reasonably, and to examine (subject to any bona fide third party confidentiality agreements) its financial records, including records stored in computer data banks and computer software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors, the reasonable expense of all of which will be paid by the Borrower.

(8) Inspection of Property; Books and Records; Discussions Will maintain books and records of account in accordance with GAAP and Applicable Law; and permit representatives of the Lender at the Borrower's expense, and subject to the Borrower's health and safety requirements and further subject to guidelines provided by the Borrower, acting reasonably, 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 the Restricted Parties and to examine (subject to any bona fide third party confidentiality agreements) any books and records of the Restricted Parties at any reasonable time during normal business hours and upon reasonable request and notice, and subject to the Restricted Parties' health and safety requirements, and to discuss the business, property and condition (financial or otherwise) of the Restricted Parties with their senior officers and (in the presence of such representatives, if any, as it may designate) with its independent chartered accountants.

(9) Obligations and Taxes Other than as set forth in the Disclosure Letter, pay or discharge, or cause to be paid or discharged, before the same will become delinquent (i) all Taxes imposed upon it or upon its income or profits or in respect of its business or Property and file all tax returns in respect thereof, (ii) all lawful claims for labour, materials and supplies, (iii) all required payments under any of its Debt, and (iv) all other obligations; provided, however that it will not be required to pay or discharge or to cause to be paid or discharged any such amount so long as the validity or amount thereof is being contested in good faith by appropriate proceedings and an appropriate financial reserve in accordance with GAAP and satisfactory to the Lender has been established.

(10) Use of Credit Facilities Use the proceeds of the Credit Facilities only for the purposes specified in Section 2.04.

(11) Insurance Maintain insurance on all its Property (showing the Collateral Agent as the loss payee as its interests may appear and additional insured, with a standard mortgage clause endorsement) with financially sound and reputable insurance companies or associations including all-risk property insurance, comprehensive general liability insurance and business interruption insurance, in amounts and against risks that are determined by it to be appropriate and that are prudent in the circumstances; furnish to the Collateral Agent, on written request, but in any event annually, satisfactory evidence of the insurance carried and notify the Lender and the Collateral Agent of any claim it makes under the foregoing insurance.

(12) Notice of Default Promptly notify the Lender of any Default or Event of Default that would apply to it of which it becomes aware, using reasonable diligence.

(13) Notice of Material Adverse Change Promptly notify the Lender of any Material Adverse Change that would apply to it of which it becomes aware, using reasonable diligence.

(14) Notice of Litigation Promptly notify the Lender on becoming aware of the occurrence of any litigation, dispute, arbitration or other proceeding the result of which if determined adversely would be a judgement or award against it (a) in excess of \$1,000,000, or (b) would result in a Material Adverse Change to it, and from time to time provide the Lender with all reasonable information requested by the Lender concerning the status of any such proceeding.

(15) Environmental Compliance Operate all Property owned, leased or otherwise used by it in a manner such that no obligation, including a clean-up or remedial obligation, will arise under any Environmental Law, which obligations individually or in the aggregate would have, or would be reasonably likely to cause, a Material Adverse Change; provided, however, that if any such claim is made or any such obligation arises, it will or will cause the applicable Restricted Party to immediately satisfy or contest such claim or obligation at its own cost and expense, and promptly notify the Lender upon learning of (a) the existence of Hazardous Substances located on, above or below the surface of any land that it occupies or controls (except those being stored, used or otherwise handled in substantial compliance with Environmental Law), or contained in the soil or water constituting such land, or (b) the occurrence of any reportable release of Hazardous Substances into the air, land surface water or ground water that has occurred on or from such land that, as to either (a) or (b), would be reasonably likely to result in a Material Adverse Change.

(16) Environmental Audit At the reasonable request of the Lender, will assist the Lender in conducting an environmental audit of any property which is the subject matter of any material contingent or actual obligations or liabilities, by an independent consultant selected jointly by the Lender and the Borrower, and failing any such agreement, the Lender. The reasonable costs of such audit will be for the account of the Borrower, provided that the Lender 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 the Borrower is in breach, or with the passage of time will be in breach, of any Environmental Law and such breach or potential breach has or could reasonably be expected to have a Material Adverse Effect, and without in any way prejudicing or suspending any of the rights and remedies of the Secured Parties under the Loan Documents, the Borrower will forthwith commence and diligently proceed to rectify or cause to be rectified such breach or potential breach, as the case may be, and will keep the Lender fully advised of the actions it intends to take and has taken to rectify such breach or potential breach and the progress it is making in rectifying same. The Lender 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 Borrower's compliance with this Section 9.01(16).

(17) Security Provide the Collateral Agent and the other Secured Parties with the Security required from time to time pursuant to Article 10 in accordance with the provisions of such Article, accompanied by supporting resolutions, certificates and opinions in form and substance satisfactory to the Collateral Agent, acting reasonably, and do all such further acts and execute and deliver all such documents and instruments as may from time to time be requested by the Collateral Agent, acting reasonably, to ensure that the Security constitutes at all times valid, enforceable, and perfected first priority Encumbrances (subject only to Permitted Encumbrances).

(18) Maintenance of Property Keep all Property useful and necessary for its business in good working order and condition, normal wear and tear excepted, except to the extent that the failure to do so would not individually or in the aggregate be reasonably likely to cause a Material Adverse Change.

(19) Hedge Arrangements At the request of the Lender and on a monthly basis, review its hedge program with the Lender and provide satisfactory evidence that it has entered into and is maintaining a sound and fiscally responsible hedge program to manage interest rate and foreign exchange risk.

(20) Pension Matters Promptly notify the Lender on becoming aware of (a) the institution of any steps by any Person to terminate or effect a partial wind-up of any Pension Plan, (b) the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to an Encumbrance under any Applicable Law, (c) the taking of any action with respect to a Pension Plan that is reasonably likely to result in the requirement that any Restricted Party furnish a bond or other security to such Pension Plan or any applicable Governmental Authority, or (d) the occurrence of any event with respect to any Pension Plan that has not been disclosed on Schedule 8.01(25) and that is reasonably likely to result in the incurrence by any Restricted Party of any material liability, fine or penalty, and in the notice to the Lender thereof, provide copies of all documentation relating thereto.

(21) Disbursement Account.

- (a) The Collateral Agent (on behalf of the Intercreditor Parties) is authorized by the Restricted Parties to, at any time, whether or not a Default or Event of Default has occurred or is continuing, issue a "Trigger Notice" or otherwise take control of the Controlled Accounts. The Collateral Agent (on behalf of the Intercreditor Parties) shall provide a copy of any such issued "Trigger Notice" forthwith to the Borrower.
- (b) Other than any CCB Disbursements (as defined below) received in the Controlled Accounts, on a periodic basis as required by the Collateral Agent (on behalf of the Intercreditor Parties), acting reasonably, the Restricted Parties shall deposit or cause to be deposited to the revenue collection and expense disbursement account established by the Borrower with the Collateral Agent (on behalf of the Intercreditor Parties), which, for certainty shall also be a Controlled Account (the "**Disbursement Account**"), all revenues, receipts, monies and proceeds and other sums of any nature received (or to be received) by or payable (or become payable) to the Restricted Parties (other than Calgary Sinoenergy) or which are received from any source in any other Controlled Account.
- (c) The Collateral Agent (on behalf of the Intercreditor Parties) agrees, provided that no Default or Event of Default has occurred or is continuing (other than those which have been waived in writing by the Collateral Agent and the Intercreditor Parties), on a monthly basis, or more frequently (including, for certainty, for emergency requests for disbursements, which emergency disbursements may be released within one day of such request) at the sole determination of Collateral Agent and the Intercreditor Parties, to disburse to the Controlled Accounts, within 3 Business Days, reasonable amounts requested by the Borrower and supported by the budget of the Borrower, an itemized and quantified list of payables and such other documents requested by the Collateral Agent (on behalf of the Intercreditor Parties), for the purpose of paying the Borrower's verifiable and necessary cash expenses, including a reasonable contingency for unbudgeted expenses for the 30 day period following any such request (the "**CCB Disbursements**").
- (d) Other than account debtors who have historically remitted by way of physical cheque and where direct remittances to the Disbursement Account are impracticable, the Restricted Parties shall on commercially reasonable efforts basis



cause all of their account debtors, including any new debtors from time to time, to directly remit all payments on accounts to the Disbursement Account.

(22) Collection of Accounts. Make all commercially reasonable efforts to collect all accounts receivables from its Affiliates in full and in a timely manner with no forbearance or forgiveness of contractual terms; for certainty, no Restricted Party will convert any such obligation to equity or any other consideration.

(23) Anti-Money Laundering/Anti-Terrorist Financing Laws; Sanctions; Anti-Corruption Laws Representations Continue to be True. The Borrower and each other Restricted Party shall, and shall cause each of their respective Subsidiaries to, conduct its business operations such that, and have policies and procedures in place to ensure that, the representations and warranties in Section 8.01(27) are true and correct at all times that this Agreement is in effect (and not just at, and as of, the times such representations and warranties are made or deemed to be made).

(24) Controlled Accounts. Ensure that, at all times, the Controlled Accounts shall be subject to an account control agreement (in form and substance satisfactory to the Collateral Agent), subject to Section 10.01(h).

## 9.02 Financial Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Lender, the Borrower will ensure that at the end of each Fiscal Quarter:

(1) Consolidated Senior Debt to Adjusted Consolidated EBITDA Ratio The Consolidated Senior Debt to Adjusted Consolidated EBITDA Ratio will not exceed 4.00:1.00 during the period commencing June 30, 2022 and for each Fiscal Quarter thereafter.

(2) Interest Coverage Ratio The Interest Coverage Ratio is not less than:

(a) 3.00:1.00 for the period commencing on June 30, 2022 and ending on December 31, 2022; and

(b) 3.50:1.00 for each Fiscal Quarter thereafter.

## 9.03 Reporting Requirements

So long as this Agreement is in force, the Borrower will deliver to the Lender:

(1) Quarterly Reports As soon as available and in any event within 45 days of the end of each of its Fiscal Quarters (excepting Fiscal Quarters ending December 31) (a) the non-consolidated financial statements of the Borrower and each other Restricted Party, (b) the interim unaudited consolidated financial statements of the Borrower, including, in each case, balance sheet, statement of cash flows, statement of income and retained earnings, statement of cash flows, which will be prepared in accordance with GAAP, and (c) a reconciliation of the financial statements referred to in clauses (a) and (b) above.

(2) Annual Reports As soon as available and in any event within 90 days after the end of each of its fiscal years, (a) the unaudited non-consolidated financial statements of each Restricted Party, and (b) the annual audited financial statements of the Borrower prepared on a consolidated basis, including, in each case, balance sheet, statement of income and retained earnings, statement of cash flows and source and application of funds for such fiscal year, which will be reviewed by an internationally recognized accounting firm, and will be prepared in accordance with GAAP and approved by the Borrower's board of directors.

(3) Quarterly Compliance Certificate and Environmental Certificate Within 45 days after the end of each Fiscal Quarter (excepting Fiscal Quarters ending December 31) will furnish to the Lender (i) a Compliance Certificate and (ii) an Environmental Certificate.

(4) Annual Compliance Certificate and Environmental Certificate Within 90 days after the end of each fiscal year, will furnish to the Lender (i) a Compliance Certificate and (ii) an Environmental Certificate.

(5) Annual Business Plan As soon as available and in any event no later than the end of each fiscal year commencing after the Closing Date, a business plan in a form satisfactory to the Lender, acting reasonably, that has been approved by the Borrower's board of directors for the forthcoming fiscal year.

(6) Additional Environmental Information Upon the request of the Lender, acting reasonably, to the extent within its control, make available for discussion with the Lender or its nominee at all reasonable times the individuals who were involved in the preparation of any Environmental Certificate.

(7) Annual Financial Forecast Furnish to the Lender a financial forecast for the next fiscal year including an income statement, balance sheet, and cash flow statement and Capital Expenditure budget, detailed on a monthly basis on or prior to 30 days prior to the end of each fiscal year commencing with the first fiscal year after the Closing Date.

(8) Production Information

(a) As soon as available following the end of each Fiscal Quarter, furnish to the Lender a report of the lease operating and production performance including year to date figures, gross production, net production, total revenues, royalties and other burdens, operating expenses and net revenues, in a format acceptable to the Lender, acting reasonably.

(b) Promptly and as soon as practically possible, following (i) any date on which the Borrower or any other Restricted Party has shut-in previously producing wells and (ii) any date on which management of the Borrower or any other Restricted Party has determined to shut-in previously producing wells, which in either case is reasonably expected to reduce average daily production for the Fiscal Quarter in which such shut-in occurs or is anticipated to occur, as applicable, by at least 10% of the Restricted Parties' forecasted aggregate average daily production for such Fiscal Quarter as indicated in the most recent production forecast approved by the board of directors of the Borrower, the Borrower shall notify the Lender of such

shut-in or forecasted shut-in and shall furnish to the Lender a detailed report in respect thereof.

(9) Notice of Hedging

(a) Provide prompt written notice to the Lender of the unwinding or other early termination of any material commodity swap contract, except to the extent such unwinding or termination relates to a Disposition permitted by Section 9.04(1).

(b) Furnish to the Lender a report (on a consolidated basis), no more than 10 days after the last day of each month, a report on the status of all outstanding Hedge Arrangements, such report to be in a form and containing such information as may be required by the Lender, acting reasonably, which shall in any event (i) detail all hedging activity occurring during such month, and (ii) detail the position and market value of all Hedge Arrangements in effect as at the end of such month.

(10) Capital Expenditures Furnish to the Lender, at least 5 days prior to the last day of each month, a monthly Capital Expenditures budget (on a consolidated basis) for the following month, in form and substance satisfactory to the Lender.

(11) Budget/Cash Flow Projections Furnish to the Lender, at least 5 days prior to the last day of each month, a monthly cash flow projection (on a consolidated basis) for the following month, in form and substance satisfactory to the Lender.

(12) Prior Month Cash Flow Furnish to the Lender a report (on a consolidated basis), no more than 10 days after the last day of each month, which sets out the Borrower's actual cash receipts and actual expenditures (the "**Cash Flow Report**") with all supporting ledgers, analysis and other information (including a transaction report from bank accounts in the Restricted Parties' name at any financial institution, including, without limitation, the Controlled Accounts). The Cash Flow Report will cover the preceding month and will explain any variances to the budget/cash flow projection (as contemplated in Section 9.03(11)) in any line item that is both: (a) greater than 10% and (b) exceeds \$25,000.

(13) Aged Accounts Payable Furnish to the Lender, at least 5 days prior to the last day of each month, an aged list of accounts payable.

(14) Other Information Such other information as it may reasonably request respecting the Restricted Parties, including an aged list of accounts receivable and accounts payable for each Restricted Party.

(15) Notice of Intended Dispositions. Subject, and without limitation to, Section 9.04(1), the Borrower shall provide prior written notice to the Lender of any intended sale, transfer, assignment or other Disposition (or series of related Dispositions) (other than the Dispositions described in paragraph (i) of the definition of "Permitted Disposition") by the Borrower or any other Restricted Party of (a) P&NG Rights or (b) any other assets, such notice to be provided by the Borrower to the Lender not less than 60 Business Days prior to the closing of any such Disposition or series of Dispositions.

(16) Annual Independent Engineering Report. The Borrower will furnish to the Lender, on or prior to March 31 of each year, an Engineering Report, effective as of December 31 of the immediately preceding year, prepared by the Independent Engineer.

(17) Semi Annual Engineering Update. The Borrower will furnish to the Lender, on or prior to October 31 of each year, a written update to the engineering and reserves information provided in the Engineering Report previously delivered pursuant to Section 9.03(16), effective as of July 31 of such year, or such other date as the Borrower and the Lender may agree on, prepared by the internal engineering staff of the Borrower; such update to include such updated reserve information and other information and otherwise to be in form and substance as may be required by the Lender, acting reasonably.

(18) Appointment of a Financial Advisor. The Borrower hereby agrees that upon and during the continuation of an Event of Default, the Lender may, in its sole discretion, engage a financial advisor (the "**Financial Advisor**") to monitor, among other things, the financial affairs and business operations of the Borrower, as the Lender deems necessary in its sole and unfettered discretion. While the Lender has not yet determined to engage the Financial Advisor, the Lender reserves the right in its sole and unfettered discretion, to engage, at the Borrower's expense, the Financial Advisor as monitor of the Borrower upon and during the continuation of an Event of Default and upon written notice to the Borrower. Upon any such engagement of the Financial Advisor as monitor of the Borrower, the Borrower agrees to cooperate fully with the Lender and the Financial Advisor and their respective agents, consultants and employees including, without limitation, by providing promptly all information reasonably requested by any such person. For certainty, the Borrower hereby confirms and consents to the release and exchange by and among the Lender and the Financial Advisor regarding all information concerning the Borrower.

(19) LMR Reporting. At least 5 days prior to the last day of each month, the Borrower will furnish to the Lender evidence of its then current LMR in each Applicable LMR Jurisdiction.

#### 9.04 Negative Covenants

So long as this Agreement is in force the Borrower will not, and will ensure that each Restricted Party will not:

(1) Disposition of Property Other than Permitted Dispositions, Dispose of, in one transaction or a series of transactions, all or any part of its Property, whether now owned or hereafter acquired, without the express written consent of the Lender. The Lender may advise the Borrower in writing as to whether or not it consents to any such Disposition within thirty (30) calendar days of receipt of a written notification from the Borrower of its intention to make such a Disposition (such notification to include reasonable particulars of such Disposition); provided that, in the event the Lender does not so advise the Borrower within such thirty (30) calendar day period, the Lender shall be deemed to have advised the Borrower that it does not provide its consent to such Disposition.

(2) Acquire Property Acquire, in one transaction or a series of transactions, any Property, other than land rights, in the normal course of business, exceeding Cdn \$2,000,000 in aggregate in each fiscal year, unless included in the Capital Expenditure budget included in the

annual financial forecast provided pursuant to Section 9.03(7) and approved by the Lender in its sole discretion.

(3) No Consolidation, Amalgamation, Change of Control, etc. Consolidate, amalgamate or merge with any other Person, enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, permit any liquidation, winding up or dissolution or permit or facilitate or allow any change of share ownership of the Borrower from that of wholly owned by Calgary Sinoenergy.

(4) No Change of Name Change its name without providing the Lender with 30 days' prior written notice thereof.

(5) No Debt Other than Calgary Sinoenergy, create, incur, assume or permit any Debt to remain outstanding, other than Permitted Debt.

(6) No Financial Assistance Other than the Financial Assistance provided prior to the date hereof and described in the Disclosure Letter, give any Financial Assistance, and in each case in no higher principal amounts than outstanding on the date hereof and on a non-revolving basis.

(7) No Distributions Make any Distribution.

(8) No Encumbrances Create, incur, assume or permit to exist any Encumbrance upon any of its Property except Permitted Encumbrances.

(9) Capital Expenditures In any fiscal year make, or enter into any agreement which would require it to make, any Capital Expenditures materially in excess of those amounts as set out in the Capital Expenditures budget to be delivered pursuant to Section 9.03(10), such Capital Expenditures budget is to be approved by the Lender in its sole discretion.

(10) No Change to Year End Make any change to its fiscal year end from December 31.

(11) Prepayments Prepay, redeem, repurchase or otherwise satisfy (other than by way of the issuance of capital stock of the Borrower) prior to the scheduled maturity thereof any portion of any unsecured notes, any Deeply Subordinated Loan, any Convertible Debentures and/or second lien notes.

(12) Changes to Constatting Documents 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 Secured Parties under the Loan Documents.

(13) No Continuance Continue into any other jurisdiction.

(14) Hedge Arrangements Enter into or permit to be outstanding at any time any Hedge Arrangement unless:

- (a) such Hedge Arrangement has been entered into by the Restricted Party bona fide and in good faith in the ordinary course of its business for the purpose of carrying on the same and not for speculative purposes; and
- (b) the aggregate amount hedged under all financial commodity swap contracts at the time such contract is entered into and after giving effect thereto shall not exceed
  - (i) 75% of the first year projected average daily production net of royalties and
  - (ii) 50% of the second year of projected average daily production net of royalties.

(15) Location of Assets in Other Jurisdictions Except for any Property being delivered to a customer in the ordinary course of business of such Restricted Party as part of the performance of its obligations, or the provision of its services, to such customer under a contract entered into with such customer in the ordinary course of business of such Restricted Party, move any Property from a jurisdiction in which the Encumbrance of the Security over such Property is perfected to a jurisdiction where such Encumbrance is not perfected or where, after a temporary period allowing for registration in such other jurisdiction, such Encumbrance could become unperfected, or suffer or permit in any other manner any of its Property to not be subject to the Encumbrance of the Security or to be or become located in a jurisdiction in which the Encumbrance of the Security over such Property is not perfected, unless the applicable Restricted Party has first (a) given prior written notice thereof to the Lender and the Collateral Agent, and (b) executed and delivered to the Lender and the Collateral Agent, as applicable, all Security and has filed or caused to be filed all financing or registration statements, in each case, in form and substance satisfactory to the Lender and the Collateral Agent that the Lender and the Collateral Agent or their counsel, acting reasonably, from time to time deem necessary or advisable to ensure that the Security at all times constitutes a perfected first priority Encumbrance (subject only to Permitted Encumbrances) over such Property in such jurisdiction together with such supporting certificates, resolutions, opinions and other documents as the Lender and the Collateral Agent, acting reasonably, may deem necessary or desirable in connection with such security and registrations.

(16) Amendments to Organizational Documents Amend any of its Organizational Documents in a manner that would be prejudicial to the interests of the Secured Parties under the Loan Documents.

(17) Amendments to other Documents Amend, vary or alter in any way, consent to any assignment or transfer of, or waive or surrender any of its rights or entitlements under, any Deeply Subordinated Loan or Convertible Debenture (including any indenture applicable thereto).

(18) No New Subsidiaries Create any Subsidiary after the date of this Agreement unless the Lender and the Collateral Agent are provided with the acknowledgement of such Subsidiary that it has become a party to this Agreement as a Guarantor as if it had executed this Agreement on the date hereof and such new Subsidiary provides security on the same basis as if it were providing Security on the date of this Agreement (including, for certainty, the Security contemplated in Article 10) and such other Security as required by the Collateral Agent.

(19) Transactions With Affiliates. Enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with any of its Affiliates, or enter into, assume or suffer to exist any agreement or arrangement with any such Affiliate, except

a transaction or agreement or arrangement which is upon fair and reasonable terms not materially less favourable to the applicable Restricted Party than it would obtain in a comparable arms-length transaction; for certainty, such restriction will apply to any transaction between the Restricted Parties. The Borrower shall provide the Lender with details and documentation, satisfactory to the Lender in its sole discretion, in respect of any transaction, agreement or arrangement between a Restricted Party and any of its Affiliates.

(20) Conversion or Amendment or Collection of Financial Assistance. (i) Elect to convert any Financial Assistance previously provided by Borrower into common equity or otherwise reduce the cash amount payable in any way, (ii) amend or extend the maturity of such Financial Assistance in any way, and (iii) fail to use all commercially reasonable efforts (including, without limitation, selling such receivable to a third party), to collect repayment in full of any such Financial Assistance at its earliest opportunity.

## **ARTICLE 10- SECURITY**

### 10.01 **Security**

As general and continuing security for the payment and performance of, *inter alia*, the Obligations the Borrower will grant, and will ensure that each Restricted Party grants, to the Collateral Agent (for the benefit of the Intercreditor Parties) the security described below:

- (a) an amended and restated demand debenture of the Borrower in the principal amount of \$1,200,000,000 secured by a fixed and specific mortgage and charge of all present and after acquired real and immoveable property described in the schedules thereto and a floating charge over all Property not subject to such fixed and specific mortgages and charges, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (b) demand debenture of each Restricted Party (other than the Borrower and Calgary Sinoenergy) in the principal amount of \$1,200,000,000 secured by a fixed and specific mortgage and charge of all present and after acquired real and immoveable property described in the schedules thereto and a floating charge over all Property not subject to such fixed and specific mortgages and charges, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (c) debenture pledge agreements from each Restricted Party other than Calgary Sinoenergy in respect of their respective amended and restated demand debentures and demand debentures, as applicable;
- (d) general security agreements from each Restricted Party other than Calgary Sinoenergy granting a security interest in all present and after acquired personal property, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (e) an assignment by each Restricted Party other than Calgary Sinoenergy of all policies of insurance and all proceeds thereunder with respect to all Property that is

subject to the foregoing security and all other security hereafter granted by a Restricted Party pursuant to this Agreement, including any policies providing business interruption insurance, with the Collateral Agent named as loss payee (as its interest may appear) and additional insured, with a standard mortgage clause endorsement, and certificates evidencing all such insurance, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;

- (f) an amended and restated subordination agreement in respect of the Deeply Subordinated Loan and Convertible Debentures in existence on the date hereof in the form attached hereto as Schedule C, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (g) an amended and restated share pledge provided by Calgary Sinoenergy in favour of the Collateral Agent, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations, pledging all of the issued and outstanding shares of the Borrower;
- (h) account control agreements in respect of all Controlled Accounts; provided that the Borrower shall furnish, to the Collateral Agent, a confirmation, acknowledgement and agreement regarding the Existing BNS Blocked Account Agreement on or prior to the Closing Date and an amendment and restatement of the Existing BNS Blocked Account Agreement no later than 15 calendar days after the Closing Date;
- (i) cash collateral agreements granted by the Borrower in favour of the Lender and/or the Collateral Agent (but subject to the Collateral Agent and Intercreditor Agreement) in respect of the face amount of the Existing Letters of Credit; and
- (j) a collateral agent and intercreditor agreement (the "**Collateral Agent and Intercreditor Agreement**") in respect of, *inter alia*, the Loan Documents described in paragraphs (a) through (i) above providing for, *inter alia*, the sharing of such Security among the Intercreditor Parties.

#### 10.02 **After Acquired Property and Further Assurances**

Each Restricted Party will from time to time execute and deliver all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all Property acquired by any Restricted Party after the date hereof, or as may be required to properly perfect the security interest of the Collateral Agent (for the benefit of the Intercreditor Parties) in any Property, including an account control agreement in respect of any after acquired Controlled Accounts.

#### 10.03 **Form of Security**

The Security will be in form satisfactory to the Collateral Agent, acting reasonably.



10.04        **Sharing of Security**

The Security shall at all times be subject to the Collateral Agent and Intercreditor Agreement and shall be shared equally among the Intercreditor Parties.

**ARTICLE 11- DEFAULT**

11.01        **Events of Default**

The occurrence of any one or more of the following events (each such event being referred to as an "**Event of Default**") will constitute a default under this Agreement unless such Event of Default has been waived by the Lender:

- (a) if the Borrower fails to pay any amount of principal of any Loan when due;
- (b) if the Borrower fails to pay any interest, fees or other Obligations (other than any principal amount) within 2 Business Days of being due;
- (c) if the Borrower breaches any of the covenants in Sections 9.01(21), 9.02 or 9.04;
- (d) if any Restricted Party neglects to observe or perform any covenant or obligation herein contained on its part to be observed or performed (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 11.01) and such Restricted Party fails to remedy such default within 30 days from the earlier of (i) the date such Restricted Party becomes aware of such default, and (ii) the date the Lender delivers written notice of the default to such Restricted Party;
- (e) if any (i) Restricted Party neglects to observe or perform any covenant or obligation contained in the CCB Qingdao Credit Agreement or any documents related thereto or (ii) Person neglects to observe or perform any covenant or obligation contained in the SBLC's or any documents related thereto in each case, on its part to be observed or performed, after the expiry of any applicable grace period thereunder;
- (f) if any representation or warranty made by any Restricted Party in this Agreement, any Loan Document or in any certificate or other document at any time delivered hereunder to the Secured Parties proves to have been incorrect or misleading in any material respect on and as of the date that it was made or was deemed to have been made and such Restricted Party fails to remedy such default within 15 days of the occurrence of such event;
- (g) the occurrence of an event of default where the Restricted Party is the defaulting party under any Hedge Arrangement or other swap document, after the expiry of any applicable grace period thereunder;
- (h) if any Restricted Party ceases or threatens to cease to carry on business generally or admits its inability or fails to pay its Debts generally;

- (i) if any Restricted Party (i) fails to make any payment when such payment is due and payable to any Person in relation to any Debt (other than Obligations) that in the aggregate principal amount then outstanding is in excess of Cdn. \$1,000,000 and any applicable grace period in relation thereto has expired, or (ii) defaults in the observance or performance of any other agreement or condition in relation to any Debt (other than Obligations) to any Person that in the aggregate principal amount then outstanding is in excess of Cdn. \$1,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs or condition exists, the effect of which default or other condition is to cause such Debt to become due prior to its stated maturity date;
- (j) if any Restricted Party denies, to any material extent, its obligations under any Loan Document or claims any of the Loan Documents to be invalid or withdrawn in whole or in part;
- (k) any of the Loan Documents or any material provision of any of them becomes unlawful or is changed by virtue of legislation or by a Governmental Authority, if any Restricted Party does not, within 15 Business Days of receipt of notice of such Loan Document or material provision becoming unlawful or being changed, replace such Loan Document with a new agreement that is in form and substance satisfactory to the Collateral Agent (in the case of any Security) and the Lender (in the case of any other Loan Documents), acting reasonably, or amend such Loan Document to the satisfaction of the Collateral Agent or the Lender (as applicable), acting reasonably;
- (l) if a decree or order of a court of competent jurisdiction is entered adjudging a Restricted Party a bankrupt or insolvent or approving as properly filed a petition seeking the winding up of a Restricted Party under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the *United States Bankruptcy Code* or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of a Restricted Party or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 Business Days;
- (m) if any Restricted Party becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *United States Bankruptcy Code*, the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other

similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition;

- (n) if an Encumbrancer takes possession, by appointment of a receiver, receiver and manager or otherwise, of all or a substantial portion of the Property of any Restricted Party;
- (o) if proceedings are commenced for the dissolution, liquidation or voluntary winding up of any Restricted Party, or for the suspension of the operations of any Restricted Party unless such proceedings are being actively and diligently contested in good faith;
- (p) if a final judgment or decree for the payment of money due has been obtained or entered against the Borrower in an amount in excess of Cdn.\$1,000,000, or against any other Restricted Party in an amount that, in the reasonable opinion of the Lender, would materially and adversely affect the ability of any such other Restricted Party to fulfil its obligations to the Secured Parties under this Agreement or any other Loan Document, and such judgment or decree has not been and remained vacated, discharged or stayed pending appeal within the applicable appeal period;
- (q) if (i) any Security ceases to constitute a valid and perfected first priority security interest (subject only to Permitted Encumbrances) and the applicable Restricted Party has failed to remedy such default within 10 days of becoming aware of such fact; or (ii) except to the extent waived or extended in writing by the Collateral Agent, fixed charge registrations are not completed on all real property of the Restricted Parties 90 days after the Closing Date; or
- (r) a Material Adverse Change has occurred.

#### 11.02 **Acceleration and Enforcement**

- (1) If any Event of Default occurs and is continuing:
  - (a) the Lender will have no further obligation to make Loans or issue Letters of Credit hereunder and the outstanding principal amount or face amount, as the case may be, of all Loans, Letters of Credit and all other Obligations will, at the option of the Lender, become immediately due and payable with interest thereon, at the rate or rates determined as herein provided (including, for certainty, as set forth in Sections 4.02 and 4.03), to the date of actual payment thereof, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by each Restricted Party; provided, if any Event of Default described in Sections 11.01(l) or 11.01(m) with respect to the Borrower occurs, the Commitments (if not theretofore terminated) will automatically terminate and the outstanding principal amount or face amount, as the case may be, of all Loans, Letters of Credit and all other Obligations will automatically be and become immediately due and payable; and

- (b) the Secured Parties may, in their discretion (but subject to the Collateral Agent and Intercreditor Agreement), exercise any right or recourse and proceed by any action, suit, remedy or proceeding against any Restricted Party authorized or permitted by law for the recovery of all the Obligations to the Secured Parties and, whether or not the Lender has exercised any of its rights under the foregoing clause (a), proceed to exercise any and all rights hereunder and under the Security.

(2) No Secured Party is under any obligation to the Restricted Parties or any other Person (subject to the Collateral Agent and Intercreditor Agreement) to realize upon any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. No Secured Party is responsible or liable to the Restricted Parties or any other Person (subject to the Collateral Agent and Intercreditor Agreement) for any loss or damage arising from such realization or enforcement or the failure to do so or for any act or omission on its part or on the part of any director, officer, employee, agent or adviser of a Secured Party in connection with any of the foregoing.

11.03 **[Reserved]**

11.04 **Remedies Cumulative**

For greater certainty, it is expressly understood that the respective rights and remedies of the Secured Parties hereunder or under any other Loan Document or instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Secured Parties of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any other Loan Document will not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Secured Parties may be lawfully entitled in connection with such default or breach.

11.05 **Perform Obligations**

If an Event of Default has occurred and is continuing and if any Restricted Party has failed to perform any of its covenants or agreements in the Loan Documents, the Lender, may, but will be under no obligation to, perform any such covenants or agreements in any manner deemed fit by the Lender without thereby waiving any rights to enforce the Loan Documents. The reasonable expenses (including any legal costs on a solicitor and his own client, full indemnity basis) paid by the Lender in respect of the foregoing will be an Obligation and will be secured by the Security.

11.06 **Third Parties**

It is not necessary for any Person dealing with the Secured Parties to inquire whether the Security has become enforceable, or whether the powers that the Secured Parties are purporting to exercise may be exercised, or whether any Obligations remain outstanding upon the security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale is to be made, or otherwise as to the propriety or regularity of any sale or other disposition or any other dealing with the collateral charged by such Security or any part thereof.

11.07            **Application of Payments**

All payments made by the Borrower hereunder, directed to be used from the cash collateral or received from proceeds of the enforcement or realization of any Security will be applied to amounts due under the Intercreditor Obligations pursuant to the Collateral Agent and Intercreditor Agreement.

11.08            **Right of Set-off**

If an Event of Default has occurred and is continuing, subject to the Collateral Agent and Intercreditor Agreement, the Secured Parties and each of their Affiliates is hereby authorized at any time and from time to time, without notice to the Borrower or any other Person, to set-off and apply any and all deposits (general or special, time or demand, matured or unmatured, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Secured Parties or any such Affiliate to or for the credit or the account of any Restricted Party against any and all of the Obligations, irrespective of whether or not such Secured Party has made any demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or are owed to a branch or office of such Secured Party or any such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Secured Parties and their Affiliates under this Section 11.08 are in addition to other rights and remedies (including other rights of set-off, consolidation of accounts and bankers' lien) that the Secured Parties or their Affiliates may have. The Secured Parties agree to promptly notify the Borrower after any such set-off and application, but the failure to give such notice will not affect the validity of such set-off and application.

**ARTICLE 12 – CHANGE IN CIRCUMSTANCES AND INDEMNITIES**

12.01            **Increased Costs**

- (1) If any Change in Law will:
  - (a) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lender;
  - (b) subject the Lender to any Tax of any kind whatsoever with respect to this Agreement, or any Loan or Letter of Credit, or change the basis of taxation of payments to the Lender in respect thereof, except for Indemnified Taxes or Other Taxes covered by Section 12.02 and the imposition, or any change in the rate, of any Excluded Tax payable by the Lender; or
  - (c) impose on the Lender or any applicable interbank market any other condition, cost or expense affecting this Agreement or Loans made by the Lender or any Letter of Credit;

and the result of any of the foregoing will be to increase the cost to the Lender of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to the Lender of issuing or maintaining any Letter of Credit (or maintaining its obligation to

issue any Letter of Credit), or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or any other amount), then upon request of the Lender the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(2) If the Lender determines that any Change in Law affecting the Lender or any lending office of the Lender or the Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Commitments of the Lender or the Loans made by, or the Letters of Credit issued by the Lender, to a level below that which the Lender or its holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of its holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or its holding company for any such reduction suffered.

(3) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in Section 12.01(1) or 12.02(2), including reasonable detail of the basis of calculation of the amount or amounts, that is delivered to the Borrower will be conclusive absent manifest error. The Borrower will pay the Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(4) Failure or delay on the part of the Lender to demand compensation pursuant to this Section 12.01 will not constitute a waiver of the Lender's right to demand such compensation, except that the Borrower will not be required to compensate the Lender pursuant to this Section 12.01 for any increased costs incurred or reductions suffered more than 270 days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor, unless the Change in Law giving rise to such increased costs or reductions is retroactive, in which case the 270-day period referred to above will be extended to include the period of retroactive effect thereof.

## 12.02 **Taxes**

(1) If any Restricted Party or the Lender is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of an Restricted Party hereunder or under any other Loan Document, then (i) the sum payable will be increased by that Restricted Party when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Restricted Party will make any such deductions required to be made by it under Applicable Law and (iii) the Restricted Party will pay when due the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

(2) Without limiting the provisions of Section 12.02(1), the Borrower will timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(3) The Borrower will indemnify the Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender will be conclusive absent manifest error.

(4) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by an Restricted Party to a Governmental Authority, the Restricted Party will deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(5) If the Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which an Restricted Party has paid additional amounts pursuant to this Section 12.02 or that, because of the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it will pay to the Borrower or other Restricted Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or Restricted Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Lender and without interest (other than any net after-Tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or other Restricted Party as applicable, upon the request of the Lender, agrees to repay the amount paid over to the Borrower or other Restricted Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender if the Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph will not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.

### 12.03 **Illegality**

If the Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Lender to make or maintain any Loan (or to maintain its obligation to make any Loan), or to issue or maintain any Letter of Credit (or to maintain its obligation to issue any Letter of Credit) to determine or charge interest rates based upon any particular rate, then, on notice thereof by the Lender to the Borrower, any obligation of the Lender with respect to the activity that is unlawful will be suspended until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower will, upon demand from the Lender, prepay any such Loan (other than a Letter of Credit) or take any necessary steps with respect to any Letter of Credit in order to avoid the activity that is unlawful. Upon any such prepayment, the Borrower will also pay accrued interest on the amount so prepaid or converted.

12.04 **[Reserved]**

12.05 **Indemnity by the Borrower**

(1) The Borrower will indemnify each Secured Party and each Related Party thereof (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel (on a solicitor and his own client, full indemnity basis) for any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Restricted Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Substance on or from any property owned or operated by any Restricted Party, or any liability under any Environmental Law related in any way to any Restricted Party, (iv) without limiting the foregoing, any inaccuracy or incompleteness of the representation and warranties contained in Section 8.01(28) hereof, (v) any failure of the Borrower or any other Restricted Party to observe or fulfil its obligations under Section 1.05(c), or (vi) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by an Restricted Party and regardless of whether any Indemnitee is a party thereto, provided that such indemnity will not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Restricted Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Restricted Party has obtained a final and nonappealable judgment in its favour on such claim as determined by a court of competent jurisdiction, nor will an indemnity be available in respect of matters specifically addressed in Sections 12.01, 12.02 or 14.01.

(2) To the fullest extent permitted by Applicable Law, the Restricted Party will not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee will be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(3) All amounts due under Section 12.05(1) will be payable promptly after demand therefor. A certificate of the applicable Secured Party setting forth the amount or amounts owing



to such Secured Party or the applicable Related Party, as the case may be, as specified in Section 12.05(1), including reasonable detail of the basis of calculation of the amount or amounts, that is delivered to the Borrower will be conclusive absent manifest error.

### **ARTICLE 13 - GUARANTEE**

#### **13.01 Guarantees and Indemnity**

(1) Each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, guarantees payment of the Obligations to the Lender (for and on behalf of the Secured Parties).

(2) If any or all of the Obligations are not duly paid and are not recoverable under Section 13.01(1) for any reason whatsoever, each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, will, as a separate and distinct obligation, indemnify and save harmless the Secured Parties and each of them from and against any losses resulting from the failure of the Borrower to pay the Obligations.

(3) If any or all of the Obligations are not duly paid and are not recoverable under Section 13.01(1) or the Secured Parties are not indemnified under Section 13.01(2), in each case, for any reason whatsoever, the Obligations will be recoverable jointly and severally from each of the Guarantors as primary obligor.

#### **13.02 Obligations Absolute**

The liability of each Guarantor hereunder is absolute and unconditional and is not affected by:

- (a) any lack of validity or enforceability of this Agreement or any other Loan Document;
- (b) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of Governmental Authority;
- (c) the bankruptcy, winding up, liquidation, dissolution, arrangement, insolvency or other similar proceeding affecting the Borrower or any other Person, the amalgamation of or any change in the status, function, control or ownership of the Borrower, any Guarantor or any other Person;
- (d) any lack or limitation of power, incapacity or disability on the part of the Borrower or of the directors, partners or agents thereof or any other irregularity, defect or informality on the part of the Borrower in its Obligations; or
- (e) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of any or all of the Obligations.

13.03      **No Release**

The liability of each Guarantor hereunder is not released, discharged, limited or in any way affected by anything done, suffered or permitted by the Secured Parties or any other Person in connection with any duties or liabilities of the Borrower to the Secured Parties or any Security, including any loss of or in respect of any Security. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the liability of any Guarantor hereunder, without obtaining the consent of or giving notice to any Guarantor, the Secured Parties may:

- (a)     discontinue, reduce, increase or otherwise vary the credit of the Borrower in any manner whatsoever;
- (b)     make any change in the time, manner or place of payment under, or in any other term of, any Loan Document or the failure on the part of the Borrower to carry out any of its obligations under any Loan Document;
- (c)     grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (d)     take or abstain from taking or enforcing the Security or from perfecting Security;
- (e)     accept compromises from the Borrower;
- (f)     apply all money at any time received from the Borrower or from the Security upon such part of the Obligations as the Secured Parties may see fit or change any such application in whole or in part from time to time as each of them may see fit; and
- (g)     otherwise deal with the Borrower and all other Persons and the Security as the Secured Parties may see fit.

13.04      **No Exhaustion of Remedies**

The Secured Parties are not bound or obligated to exhaust their recourse against the Borrower or other Person or any Security they may hold, or take any other action before the Lender is entitled to demand payment from any Guarantor hereunder.

13.05      **Prima Facie Evidence**

Any account settled or stated in writing by or between a Secured Party and the Borrower will be prima facie evidence that the balance or amount thereof appearing due to such Secured Party is so due.

13.06      **No Set-Off**

In any claim by a Secured Party or any of them against any Guarantor, such Guarantor may not assert any set-off or counterclaim that either such Guarantor or the Borrower may have against such Secured Party.

13.07            **Continuing Guarantee**

The Obligations of each Guarantor hereunder will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Secured Parties and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to any such Person. The Obligations of each Guarantor hereunder will continue to be effective even if at any time any payment of any of the Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the recipient of such payment upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

13.08            **Waivers by Guarantors**

Each Guarantor hereby irrevocably waives acceptance hereof, presentation, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Guarantor, the Borrower or any other Person.

13.09            **Demand**

Each Guarantor will make payment to the Lender of the full amount of the Obligations and all other amounts payable by it hereunder forthwith after demand therefor is made to it. Each Guarantor will also make payment to the Lender of all costs and expenses incurred by the Secured Parties or any of them in enforcing the provisions of this Article 13.

13.10            **Interest**

Each Guarantor will pay interest to the Lender at the rates set forth in Section 4.02 and 4.03 on the unpaid portion of all amounts payable by such Guarantor hereunder, such interest to accrue from and including the date of demand on the Guarantor, and will be compounded monthly.

13.11            **Subrogation; Contribution**

No Guarantor will be entitled to subrogation or to contribution from the Borrower by reason of any payment hereunder until indefeasible payment in full of all Intercreditor Obligations of all Guarantors, and the termination of the Commitments. Thereafter, the Collateral Agent (for and on behalf of the Secured Parties), at each Guarantor's request and expense, will execute and deliver to such Guarantor appropriate documents, without recourse and without representation and warranty, except as to the amount owing, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Intercreditor Obligations and any Security held therefor resulting from such payment by such Guarantors.

13.12            **Stay of Acceleration**

If acceleration of the payment of any Obligations payable by any Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Guarantor or otherwise, all such

Obligations otherwise subject to acceleration under the laws of any Loan Document will nonetheless be payable by each other Guarantor herewith in accordance with the terms hereof.

## **ARTICLE 14- GENERAL**

### **14.01 Costs and Expenses**

The Borrower will pay (i) all reasonable out-of-pocket expenses incurred by the Secured Parties, including the reasonable fees, charges and disbursements of Lender's Counsel (on a solicitor and his own client, full indemnity basis), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby will be consummated), (ii) all reasonable out of pocket expenses incurred by the Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Secured Parties including the reasonable fees, charges and disbursements of Lender's Counsel (on a solicitor and his own client, full indemnity basis), in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section 14.01, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

### **14.02 Governing Law, Jurisdiction, Etc.**

(1) This Agreement and each other Loan Document (unless otherwise specified in such Loan Document) will be governed by, and construed in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein.

(2) The Borrower and each other Restricted Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province of Alberta and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. The Borrower and each other Restricted Party agrees that a final judgment in any such action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document will affect any right that the Lender and/or the Collateral Agent (on behalf of the Secured Parties) may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower, any other Restricted Party or their properties in the courts of any jurisdiction.

(3) The Borrower and each other Restricted Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 14.02(2). The Borrower and each other Restricted Party hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

14.03 **Judgment Currency**

(1) If for the purpose of obtaining or enforcing judgement against a Restricted Party in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 14.03 referred to as the "**Judgment Currency**") an amount due in Canadian Dollars or United States Dollars under this Agreement, the conversion will be made at the rate of exchange prevailing on the Business Day immediately preceding:

- (a) the date of actual payment of the amount due, in the case of any proceeding in the courts of any jurisdiction that will give effect to such conversion being made on such date, or
- (b) the date on which the judgement is given, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 14.03(1)(b) being hereinafter in this Section 14.03 referred to as the "**Judgment Conversion Date**").

(2) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 14.03(1)(b), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the Borrower will pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian Dollars or United States Dollars, as the case may be, which could have been purchased with the amount of Judgment Currency stipulated in the judgement or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

(3) Any amount due from a Restricted Party under the provisions of Section 14.03(2) will be due as a separate debt and will not be affected by judgement being obtained for any other amounts due under or in respect of this Agreement.

- (4) The term "rate of exchange" in this Section 14.03 means:
  - (a) for a conversion of Canadian Dollars to the Judgment Currency, the reciprocal of the Spot Rate for the date in question for the conversion of the Judgment Currency to Canadian Dollars;

- (b) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is Canadian Dollars, the Spot Rate for the date in question for the conversion of United States Dollars to Canadian Dollars;
- (c) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is not Canadian Dollars, the effective rate obtained when a given amount of United States Dollars is converted to Canadian Dollars at the rate determined pursuant to Section 14.03(4)(b) and the result thereof is then converted to the Judgment Currency pursuant to Section 14.03(4)(a); or
- (d) if a required rate is not so published by the Bank of Canada for any such date, the spot rate quoted by the Lender at approximately noon (Toronto time) on that date in accordance with its normal practice for the applicable currency conversion in the wholesale market.

14.04 **Confidentiality**

(1) The Secured Parties agree to maintain the confidentiality of the Information (as defined in Section 14.04(2) below), except that Information may be disclosed (a) to their Affiliates and their Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over such Secured Party (including any self-regulatory authority), (c) to the extent required by Applicable Law or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 14.04(1), to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap, derivative, credit-linked note or similar transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 14.04(1) or (y) becomes available to the Secured Parties on a non-confidential basis from a source other than the Borrower.

(2) For purposes of this Section, "Information" means all information received in connection with this Agreement from the Borrower relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Secured Parties on a non-confidential basis prior to such receipt. Any Person required to maintain the confidentiality of Information as provided in Section 14.04(1) will 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 to its own confidential information.

14.05 **Benefit and Burden of Agreement**

This Agreement will be binding upon the Restricted Parties and their successors. This Agreement will enure to the benefit of and will be binding upon the Secured Parties and their respective successors and assigns.

14.06 **No Assignment by the Borrower**

The rights and benefits of the Borrower hereunder may not be assigned by the Borrower.

14.07 **Assignment or Participation by Lender**

(1) The rights, benefits and obligations of the Lender under or in respect of this Agreement (the "**Rights**") may, in whole or in part be assigned ("**Assign**", "**Assigned**" or an "**Assignment**") by the Lender with one or more Persons (each an "**Assignee**", as the case may be). The Rights may, in whole or in part, be or participated ("**Participated**" or a "**Participation**") to a participant (a "**Participant**") at any time, or Assigned by the Lender with one or more Participants or Assignees without notice to or the consent of the Borrower. An Assignment or Participation as aforesaid will become effective upon execution of the applicable documentation by the Lender, as applicable, and the Participant or Assignee, as the case may be. The Borrower will execute all such further documentation as the Lender may request with respect to any Assignment or Participation and any prospective Assignee will execute such documentation as the Lender may reasonably request for the purpose of ensuring that the Assignee is bound by the terms of this Agreement.

(2) Any Assignee of Rights will be and be treated in respect of such Rights as if it were the Lender for all purposes of this Agreement, will be entitled to the benefit hereof, and will be subject to the obligations of the Lender in respect of such Rights, to the same extent as if it were an original party in respect of the Rights and the Lender assigning such Rights will be released and discharged from its obligations hereunder in respect of such Rights. To the extent that the Rights are the subject of a Participation, all references in this Agreement to the Lender will, with respect to such Rights that are subject to the Participation, continue to be construed as a reference to the Lender, and the Borrower will be entitled to deal with the Lender as if it were the sole owner of the Rights and the Lender will not be released from obligations hereunder by virtue of the Participation. The Borrower acknowledges and agrees that the Lender will be entitled, in its own name, to enforce for the benefit of, or as agent for, any Participants, any and all rights, claims and interests of such Participants, in respect of the Rights and that Participants will not be entitled to demand payment or exercise any other right or remedy pursuant hereto.

(3) For the purposes of any Assignment or Participation hereunder, the Lender may disclose on a confidential basis to a potential Assignee or Participant such information about the Borrower as the Lender may see fit, provided that such potential Assignee or Participant has executed a confidentiality agreement in favour of the Lender.

14.08 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient at the address or telecopier number set forth on the signature pages to this Agreement, or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof or, if given by registered mail, on the third Business Day following the deposit thereof in the mail or, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

14.09 **Effect of Assignment**

For greater certainty, an assignment by the Lender of its rights hereunder will not constitute a repayment, discharge, rescission, extinguishment or novation of any Loan or interest therein, and the obligations so assigned shall continue to be the same obligations and not new obligations.

14.10 **Survival**

The provisions of Section 12.05 and 14.01 will survive the repayment of all Loans, all obligations with respect to Letters of Credit and all other Obligations, whether on account of principal, interest or fees, and the termination of this Agreement, unless a specific release of such provisions by the Lender is delivered to the Borrower.

14.11 **Severability**

If any provision of this Agreement is determined by any court of competent jurisdiction to be illegal or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either of the parties.

14.12 **Further Assurances**

Each Restricted Party and each Secured Party will promptly cure any default by it in the execution and delivery of this Agreement, the Loan Documents or of any the agreements provided for hereunder to which it is a party. The Restricted Parties, at the Borrower's expense, will promptly execute and deliver to the Lender, upon request by the Lender, all such other and further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the applicable Restricted Party hereunder or more fully to state the obligations of the applicable Restricted Party as set forth herein or to make



any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

14.13            **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Borrower, the Lender, and each other Secured Party. No waiver of any breach of any provision of this Agreement and no consent required hereunder will be effective or binding unless made in writing and signed by the party purporting to give the same. Unless otherwise provided, any waiver or consent given hereunder will be limited to the specific breach waived or matter consented to, as the case may be, and may be subject to such conditions as the party giving such waiver or consent considers appropriate.

14.14            **Time of the Essence**

Time is of the essence of this Agreement.

14.15            **Acknowledgement and Consent to Bail-In of Affected Financial Institutions.**

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

14.16 **Anti-Money Laundering Legislation**

The Borrower acknowledges that, pursuant to the requirements of Anti-Money Laundering/ Anti-Terrorist Financing Laws and "know your client" laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "**AML Legislation**"), the Lender may be required to obtain, verify and record information regarding the Restricted Parties, their respective directors, authorized signing officers, direct or indirect shareholders or unitholders or other Persons in control of any Restricted 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 the Lender, or any prospective assignee of the Lender, 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.

**[Signature pages follow]**

IN WITNESS WHEREOF the parties have executed this Agreement.

**BORROWER:**

Address: Eau Claire Tower **LONG RUN EXPLORATION LTD.**  
600, 600 3rd  
Avenue SW  
Calgary, Alberta  
T2P 0G5

Attention: Chief Executive  
Officer

Facsimile No.: (403) 262-5561

By:   
Name: Jason Ge  
Title: Chief Executive Officer

By: \_\_\_\_\_  
Name:  
Title:

**GUARANTORS:**

Address: Eau Claire Tower **CALGARY SINOENERGY INVESTMENT**  
600, 600 3rd **CORP.**  
Avenue SW  
Calgary, Alberta  
T2P 0G5

Attention: Chief Executive  
Officer

Facsimile No.: (403) 262-5561

By:   
Name: Yajie (Lily) Hu  
Title: Director

By: \_\_\_\_\_  
Name:  
Title:

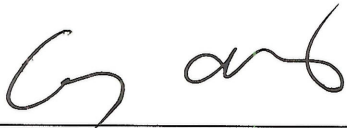
**LENDER:**

Address: 3650 – 181 Bay  
Street  
Toronto, ON  
M5J 2T3

**CHINA CONSTRUCTION BANK  
TORONTO BRANCH, as Lender**

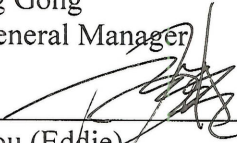
Attention: Ziqing Zou (Eddie)  
Senior Vice  
President,  
Corporate Banking

Facsimile No.: (647) 777-7739

By: 

Name: Chaoyong Gong

Title: Deputy General Manager

By: 

Name: Ziqing Zou (Eddie)

Title: Senior Vice President - Corporate Banking

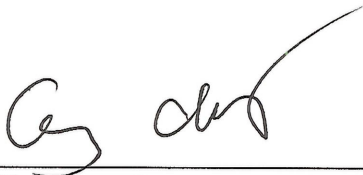
**COLLATERAL AGENT:**

Address: 3650 – 181 Bay  
Street  
Toronto, ON  
M5J 2T3

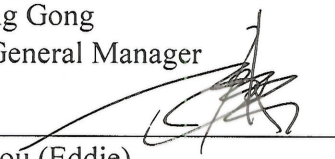
**CHINA CONSTRUCTION BANK  
TORONTO BRANCH, as Collateral  
Agent**

Attention: Ziqing Zou (Eddie)  
Senior Vice  
President,  
Corporate Banking

Facsimile No.: (647) 777-7739

By:   
\_\_\_\_\_

Name: Chaoyong Gong  
Title: Deputy General Manager

By:   
\_\_\_\_\_

Name: Ziqing Zou (Eddie)  
Title: Senior Vice President - Corporate Banking

Acknowledged as of the date first written above.

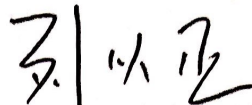
Address: No. 222 Shenzhen  
Road, Qingdao,  
China 266061

**CHINA CONSTRUCTION BANK  
CORPORATION, QINGDAO  
BRANCH**

Attention: Cong Huang  
Deputy Branch  
Manager (Sifang  
Sub Branch)

Facsimile No.: 86-0532-83950386

By:



Name: Congzheng Liu

Title: Deputy Chief Manager

By:

Name:

Title:

**Schedule A**

**Commitments**

Commitments

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Revolving Term Facility	Non-Revolving Term Facility	Total Commitment
Cdn. \$0*	Cdn. \$114,434,905.72	Cdn. \$114,434,905.72

\*Net of Cash Collateral.

## Schedule B

### **Deeply Subordinated Loans and Convertible Debentures**

#### Deeply Subordinated Loans

\$466,148,563 owing to Calgary Sinoenergy Investment Corp. as at June 30, 2020 (including \$23,634,752 owing as interest on the Convertible Debenture described below) pursuant to the loan facility agreement between Long Run Exploration Ltd., as borrower, and Calgary Sinoenergy Investment Corp., as lender, dated June 29, 2016, as amended pursuant to a first amending agreement to the Long Run Exploration loan facility agreement made effective as of August 29, 2016, a second amending agreement made effective as of January 31, 2017 and a third amending agreement made effective as of the date hereof. Additional interest amounts have accrued since.

#### Convertible Debentures

\$71,495,615 owing to Calgary Sinoenergy Investment Corp. as at June 30, 2020 pursuant to the convertible debenture indenture between Long Run Exploration Ltd. and AST Trust Company (Canada), dated as of January 28, 2014 as amended by a first supplemental indenture and supplemental debenture made effective as of January 30, 2019, and as evidenced by Certificate No. 003 with CUSIP 54287VAA0.



**Schedule C**

**Form of Subordination Agreement**

See attached.

## AMENDED AND RESTATED SUBORDINATION AND POSTPONEMENT AGREEMENT

**THIS AMENDED AND RESTATED SUBORDINATION AND POSTPONEMENT AGREEMENT** is made as of the 27 day of October, 2020 among China Construction Bank Toronto Branch in its capacity described in Section 31 (in such capacity, the "**Collateral Agent**"), Long Run Exploration Ltd. (the "**Debtor**") and Calgary Sinoenergy Investment Corp. (the "**Subordinated Lender**");

**AND WHEREAS** (1) certain of the Beneficiaries have agreed to make loans or advances and otherwise extend credit to one or more of the Restricted Parties pursuant to the terms of the Senior Debt Documents to which they are a party and may hereafter extend credit to one or more of the Restricted Parties pursuant to the Senior Debt Documents; (2) the Restricted Parties may become liable to certain of the Beneficiaries for certain reimbursement and indemnity obligations pursuant to the terms of the Senior Debt Documents to which they are a party; and (3) the Restricted Parties may otherwise hereafter become further indebted to the Beneficiaries;

**AND WHEREAS** in connection with the Senior Debt Documents, the Restricted Parties have granted, and in the future may grant, the Senior Security in favour of the Beneficiaries;

**AND WHEREAS** it is a requirement of certain Senior Debt Documents that the Subordinated Lender, *inter alia*, unconditionally and irrevocably (a) subordinate and postpone the Subordinated Debt to the indefeasible payment in full by the Restricted Parties of the Senior Debt and (b) subordinate the Subordinated Security to the Senior Security;

**NOW THEREFORE** in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by each of the parties hereto, the parties make the following covenants, acknowledgments and agreements:

### 1. Defined Terms.

Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined herein shall have the meanings provided in the Collateral Agent and Intercreditor Agreement. References in this Agreement to any agreement shall be deemed to be a reference to such agreement as amended, supplemented, substituted or replaced from time to time. In this Agreement, unless something in the subject matter or context is inconsistent therewith:

- (a) "**Agreement**" means this Amended and Restated Subordination and Postponement Agreement (as the same may be further amended, modified, supplemented, restated or replaced in writing from time to time) and all the schedules and other documents delivered according to a requirement of this Agreement; this Agreement is sometimes also referred to by the terms "hereof", "hereunder", "herein" or similar terms.
- (b) "**Bankruptcy Law**" means, collectively: (a) the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time and any successor act or statute, (b) the *Companies' Creditors Arrangement Act* (Canada), as amended from time to time and any successor act or statute, (c) the *Winding-up and Restructuring Act* (Canada), as amended from time to time and any successor act or statute, and (d) any similar laws or any corporate law in any jurisdiction including, without limitation, any laws relating

to assignments for the benefit of creditors, a stay of proceedings, formal or informal moratorium, compositions, extensions generally with creditors, or proceedings seeking reorganization, restructuring, recapitalization, arrangement or other similar relief, any law permitting the appointment of a receiver, interim receiver, receiver manager or other person having similar powers and any law of any jurisdiction permitting a debtor to obtain a stay or a compromise of the claims of its creditors.

- (c) **"Beneficiaries"** means, collectively, the Collateral Agent and the other Secured Parties (under and as defined in the Collateral Agent and Intercreditor Agreement) and **"Beneficiary"** means any of the Secured Parties (under and as defined in the Collateral Agent and Intercreditor Agreement).
- (d) **"Collateral"** means, in respect of any Person, all of its undertaking, property and assets (whether real or personal, tangible or intangible, and wherever located) now owned or hereafter acquired by such Person and includes, for certainty, with respect to a Restricted Party, all "Collateral", under and as defined in the Collateral Agent and Intercreditor Agreement, of such Restricted Party. Unless stated otherwise or unless the context otherwise requires, all references herein to "Collateral" shall be deemed to be to the Collateral of the Restricted Parties.
- (e) **"Collateral Agent"** has the meaning ascribed to such term in the preamble of this Agreement, and its respective successors and assigns.
- (f) **"Collateral Agent and Intercreditor Agreement"** means the collateral agent and intercreditor agreement made as of the date hereof among the Debtor, as borrower, the Subordinated Lender, as guarantor, the Collateral Agent, as collateral agent, and certain other Beneficiaries, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions thereof.
- (g) **"Convertible Debentures"** means, collectively, any debentures issued by the Debtor to the Subordinated Lender under, pursuant to or in connection with the convertible debenture indenture between Long Run Exploration Ltd. and AST Trust Company (Canada) (as successor in interest to CST Trust Company), dated as of January 28, 2014 as amended by a first supplemental indenture and supplemental debenture made effective as of January 30, 2019, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions thereof.
- (h) **"Insolvency Proceeding"** means, as to any Person, any proceeding commenced by or against it under any provision of any Bankruptcy Law.
- (i) **"Restricted Parties"** means, collectively, the Debtor and the other "Obligors", under and as defined in the Collateral Agent and Intercreditor Agreement, other than the Subordinated Lender.
- (j) **"Senior Debt"** means the "Secured Obligations" (under and as defined in the Collateral Agent and Intercreditor Agreement).
- (k) **"Senior Debt Documents"** means the "Secured Debt Documents" under and as defined in the Collateral Agent and Intercreditor Agreement, including, for certainty, the Senior Security.

- (l) **"Senior Debt Repayment Date"** means the date on which (i) the Senior Debt has been indefeasibly paid in full, performed in full and finally satisfied and (ii) the Senior Debt Documents have been terminated and cancelled.
- (m) **"Senior Security"** means all liens, charges, pledges, security interests and other security agreements (including, for certainty, any Security Documents (under and as defined in the Collateral Agent and Intercreditor Agreement) to which a Restricted Party is a party) of any nature or kind, now held or hereafter granted to the Beneficiaries (or held by the Collateral Agent on behalf of the Beneficiaries) that secures the payment, performance or discharge of the Senior Debt.
- (n) **"Subordinated Debt"** means all indebtedness, liabilities and obligations, of any nature or kind, present or future, direct or indirect, whether revolving or term, matured or unmatured, absolute or contingent, and whether secured or unsecured, whether as primary debtor, surety or guarantor, matured or not and at any time owing by the Debtor or any other Restricted Party to the Subordinated Lender, including, for certainty, all indebtedness, liabilities and obligations arising under any Subordinated Loan Agreements (including all interest, fees and other costs arising under or in respect of any Subordinated Loan Agreements).
- (o) **"Subordinated Lender"** has the meaning ascribed to such term in the preamble of this Agreement, and its respective successors and assigns.
- (p) **"Subordinated Lender Rights"** means, collectively, all of the rights, remedies, interests and powers of the Subordinated Lender (a) under, pursuant or relating to the Subordinated Security or any other Subordinated Loan Agreements, (b) in any Insolvency Proceedings or (c) otherwise available to the Subordinated Lender pursuant to applicable laws to enforce payment and performance of the Subordinated Debt.
- (q) **"Subordinated Loan Agreements"** means, collectively, the Subordinated Loan Facility Agreement, the Convertible Debentures and all related guarantees and other agreements, instruments and other documents governing, securing or relating to any Subordinated Debt, including, for certainty, any Subordinated Security.
- (r) **"Subordinated Loan Facility Agreement"** means the loan facility agreement between Long Run Exploration Ltd., as borrower, and Calgary Sinoenergy Investment Corp., as lender, dated June 29, 2016, as amended pursuant to a first amending agreement to the Long Run Exploration loan facility agreement made effective as of August 29, 2016, a second amending agreement made effective as of January 31, 2017 and a third amending agreement made effective on or about the date hereof, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions thereof.
- (s) **"Subordinated Security"** means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now or hereafter granted to the Subordinated Lender that secures the payment, performance or discharge of the Subordinated Debt.

## 2. **Headings.**

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The

terms "hereof", "hereunder", and similar expressions refer to this Agreement and not to any particular Section or other portion hereof. Unless something in the subject matter of context is inconsistent therewith, references herein to Sections are to Sections of this Agreement.

3. **Extended Meanings.**

In this Agreement, words importing the singular number only include the plural and vice versa and words importing a gender includes both genders. The term "including" means "including without limiting the generality of the foregoing".

4. **Statutory References.**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute and now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulation thereunder.

5. **References to Agreements.**

Each reference in this Agreement to any agreement (including this Agreement and any other defined term that is an agreement) shall be construed so as to include such agreement (including any attached schedules) and each amendment, supplement, amendment and restatement, novation and other modification made to it from time to time.

6. **Subordination and Postponement.**

- (a) The Subordinated Lender hereby covenants and agrees that all Subordinated Debt (and payment and performance thereof) is hereby unconditionally and irrevocably deferred, postponed and, together with the Subordinated Security, subordinated in all respects (in favour of the Beneficiaries) to the prior indefeasible repayment, performance in full and final satisfaction of all the Senior Debt. Each party hereto acknowledges, consents and agrees to the foregoing.
- (b) Without limiting the generality of the foregoing, the deferment, postponement and subordination of the provisions contained herein will be effective notwithstanding:
  - (i) the dates of any advances (or the creation of any other indebtedness, obligations or liabilities) secured by the Senior Security;
  - (ii) the time or sequence of giving any notice or the making of any demand in respect of the Subordinated Debt, the Senior Debt, the Senior Security, the Subordinated Security or any other Senior Debt Documents or Subordinated Loan Agreements or the attachment, registration, perfection or crystallization of the security constituted by the Senior Security or the Subordinated Security;
  - (iii) that any of the Senior Security shall be defective, unperfected or unenforceable for any reason whatsoever;
  - (iv) the method of perfection of the Senior Security;
  - (v) the provisions of the Senior Security or the Subordinated Security;
  - (vi) any invalidity or unenforceability of, or any limitation on, the liability of the Debtor or any other Restricted Party;

- (vii) any defense, compensation, set off or counterclaim which the Debtor or any other Restricted Party may have or assert;
- (viii) any Insolvency Proceeding of any person or entity;
- (ix) the taking of any collection, enforcement or realization proceedings pursuant to the Senior Security, the Senior Debt, the Subordinated Security or the Subordinated Debt;
- (x) the date of obtaining any judgment or the order of any bankruptcy court or any court administering an Insolvency Proceeding as to the entitlement of the Collateral Agent (or any other Beneficiary) or the Subordinated Lender to any money or property of any Restricted Party;
- (xi) the giving or failing to give any notice, or the sequence of giving any notice to the Subordinated Lender including the giving or failing to give notice of the acquisition of any additional Senior Security;
- (xii) the failure to exercise any power or remedy reserved to the Collateral Agent (or any other Beneficiary) under the Collateral Agent and Intercreditor Agreement, under any Senior Security or any other Senior Debt Documents, or to insist upon a strict compliance with any of the terms thereof;
- (xiii) the date or dates of any default by the Debtor or any other Restricted Party in respect of the Senior Debt or any default under the Senior Security;
- (xiv) the rules of priority established under applicable law;
- (xv) any waiver, consent, extension, indulgence or other action, inaction or omission by or on behalf of any Beneficiary under or in respect of this Agreement, the Collateral Agent and Intercreditor Agreement, the other Senior Debt Documents, the Senior Debt or the Senior Security;
- (xvi) the lack of authority or revocation thereof by any other party;
- (xvii) any defence based upon an election of remedies by or on behalf of any Beneficiary which destroys or otherwise impairs the subrogation rights of the Subordinated Lender to proceed against any Restricted Party for reimbursement;
- (xviii) any merger, consolidation or amalgamation of the Subordinated Lender, or any Restricted Party into or with any other person or entity; or
- (xix) any other fact, matter or defect whatsoever that, except for this Agreement, would impact on the respective priorities of the Senior Security or the Subordinated Security, or the order and timing of payment of the Senior Debt or the Subordinated Debt.

7. **No Repayment of Subordinated Debt.**

Until the Senior Debt Repayment Date, no direct or indirect (including by way of set-off) distribution, payment (including, but not limited to, principal, interest, fees and costs), prepayment or repayment on account of, consideration for the reduction of, or other distribution in respect of,

the Subordinated Debt shall be made or granted by, or on behalf of, the Debtor or any other Restricted Party or received by, or on behalf of, the Subordinated Lender, unless otherwise expressly permitted pursuant to the terms of the Senior Debt Documents.

8. **Restriction on Enforcement.**

So long as any Senior Debt is outstanding and until the Senior Debt Repayment Date, the Subordinated Lender shall not:

- (a) enforce or exercise, or seek to enforce or exercise, any remedies under any Subordinated Security or any other Subordinated Loan Agreements or take any proceedings in connection therewith;
- (b) institute or commence, or join with any other person in instituting or commencing, any Insolvency Proceedings or take any steps or proceedings in connection therewith; or
- (c) institute or commence any action or proceeding to enforce, collect or receive payment of any Subordinated Debt or exercise any Subordinated Lender Rights to enforce payment of any Subordinated Debt, including any action of enforcement, realization, foreclosure, collection, seizure, garnishment or execution (in any case in respect of the Collateral and, for certainty, whether as a secured or unsecured creditor).

9. **Subordinated Security.**

- (a) The Subordinated Lender hereby:
  - (i) acknowledges and agrees that (A) the Subordinated Security shall rank subordinate to and is hereby postponed to the Senior Security and (B) the Senior Security has priority over the Subordinated Security, in each case, in all respects, including, without limitation, as they relate to the rights and interests created in the Collateral thereby;
  - (ii) postpones and subordinates the mortgages, charges, liens, assignments and security interests created in the Collateral by the Subordinated Security to the mortgages, charges, liens, assignments and security interests in such Collateral created by the Senior Security; and
  - (iii) agrees to ratify and confirm the subordination and postponement set out above from time to time in favour of the Collateral Agent (for the benefit of the Beneficiaries) as required by the Collateral Agent (in its sole discretion), following the written request of the Collateral Agent therefor.
- (b) The Subordinated Lender agrees and covenants that it will (i) not seek or obtain from the Debtor or any Restricted Party any lien, charge, or security interest for the payment of or performance of any obligations owing to the Subordinated Lender, including in respect of the Subordinated Debt, other than the Subordinated Security and (ii) without limiting Sections 6(b) and 9(a) above, provide the Collateral Agent with not less than 60 days' prior written notice of its intention to effect (A) any registrations made at any personal property registry in respect of the Subordinated Security in any jurisdiction or (B) any specific registrations of the Subordinated Security against any petroleum or natural gas leases or other individual parcels or leases of real property or interests

in land, together with true and complete copies of the Subordinated Security to be registered by it, including complete copies of the land schedules with all information required for such registrations. For certainty, any fixed charge security registered in favour of the Subordinated Lender shall be subject to the security subordinations provided herein. As of the date hereof, the only registrations made by the Subordinated Lender of the type contemplated in subparagraph (A) above are registrations 16062938126 and 16062938173 against the Debtor at the Personal Property Registry of Alberta and no registrations of the type contemplated in subparagraph (B) above have been made by the Subordinated Lender against the Debtor or any other Restricted Party.

- (c) The Subordinated Lender agrees that any and all payments, distributions and proceeds of Collateral or distributions paid to creditors in the course of any Insolvency Proceeding, insurance proceeds, expropriation proceeds and any other proceeds of realization from or relating to the enforcement of any Senior Security or Subordinated Security against any and all Collateral, as applicable, shall be paid to the Collateral Agent (on behalf of the Beneficiaries) until the Senior Debt Repayment Date.
- (d) Each Restricted Party hereby acknowledges and agrees: (i) that it has taken notice of the foregoing subordination and postponement of claim by the Subordinated Lender and expressly consents thereto; (ii) that it will not deliver to the Subordinated Lender any lien, charge or security interest for the payment, performance or discharge of its obligations owing to the Subordinated Lender, including in respect of the Subordinated Debt, other than the Subordinated Security; and (iii) that it will not make or grant any direct or indirect (including by way of set-off) distribution, payment (including, but not limited to, principal, interest, fees and costs), prepayment or repayment on account of, consideration for the reduction of, or other distribution in respect of, the Subordinated Debt to the Subordinated Lender until the Senior Debt Repayment Date.

10. **No Objection.**

The Subordinated Lender will not take, or cause or permit any other Person to take on its behalf, or support any other person to, take any steps whatsoever whereby (i) the existence, priority or validity of any of the Senior Security or Senior Debt or (ii) the rights of the Collateral Agent (on behalf of the Beneficiaries) hereunder, under the Collateral Agent and Intercreditor Agreement, the Senior Security or any other Senior Debt Documents will be contested, delayed, defeated, impaired or diminished. Without limiting the generality of the foregoing, the Subordinated Lender will not, and will not support any other person to, challenge, object to, compete with or impede in any manner any act taken or proceeding commenced by the Collateral Agent (on behalf of the Beneficiaries), in accordance with the terms of the Collateral Agent and Intercreditor Agreement or any other Senior Debt Document, in connection with the enforcement by the Collateral Agent (on behalf of the Beneficiaries) of the Senior Security and Senior Debt.

11. **Application of Proceeds.**

The Subordinated Lender, the Debtor and each other Restricted Party acknowledge that (a) all and every part of the Senior Security is held by the Collateral Agent, for and on behalf of the Beneficiaries, as security for all and every part of the Senior Debt and (b) the Collateral Agent may apply, as a permanent reduction of the Senior Debt, any moneys received by it in accordance with the provisions of the Collateral Agent and Intercreditor Agreement, whether from the enforcement



of and realization upon any or all of the Senior Security or otherwise, to any part of the Senior Debt in a manner consistent with the Collateral Agent and Intercreditor Agreement.

12. **Liquidation, Dissolution, Bankruptcy, etc.**

- (a) In the event of distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the Collateral or other assets of any Restricted Party, or the proceeds thereof, to creditors in connection with an Insolvency Proceeding, the Beneficiaries will be entitled to receive payment in full (including interest accruing to the date of receipt of such payment at the applicable rate whether or not allowed as a claim in any such proceeding) of the Senior Debt before the Subordinated Lender is entitled to receive any Collateral or any direct or indirect payment or distribution of any cash or other assets of any Restricted Party on account of the Subordinated Debt. In connection with such Insolvency Proceeding, the Beneficiaries will be entitled to receive directly, for application in accordance with the provisions of the Collateral Agent and Intercreditor Agreement, in payment of any outstanding Senior Debt, any Collateral, payment or distribution of any kind or character, whether in cash or other assets, which would otherwise be payable or deliverable upon or with respect to the Subordinated Debt. To the extent any payment of Senior Debt (whether by or on behalf of the Debtor, any other Restricted Party or the Subordinated Lender, as receipt of Collateral, proceeds of security or enforcement of any right of set-off or otherwise) is determined to be a fraudulent preference or otherwise preferential, set aside or required to be paid to a trustee, receiver or other similar person under any Bankruptcy Law, then if such payment is recoverable by, or paid over to, such trustee, receiver or other person, the Senior Debt or part thereof originally intended to be satisfied will be deemed to be reinstated and outstanding as if such payment had not occurred.
- (b) In order to enable the Collateral Agent, for and on behalf of the Beneficiaries, to enforce its rights hereunder in any of the actions or proceedings described in this Section 12 (but only to the extent necessary to so enable the Collateral Agent), upon the failure of the Subordinated Lender to make and present on a timely basis a proof of claim against any Restricted Party on account of the Subordinated Debt or other motion or pleading as may be expedient or proper to establish the Subordinated Lender's entitlement to payment of any Subordinated Debt, the Collateral Agent (for and on behalf of the Beneficiaries) is irrevocably authorized and empowered, in its discretion and at the Debtor's expense, to make and present for and on behalf of the Subordinated Lender such proofs of claims or other motions or pleadings and to demand, receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and any such property received shall be paid over to the Collateral Agent (for and on behalf of the Beneficiaries) as required by the Collateral Agent and Intercreditor Agreement. The Collateral Agent shall apply the same on account of the Senior Debt in accordance with the terms of the Collateral Agent and Intercreditor Agreement and any other Senior Debt Documents. Each Restricted Party and the Subordinated Lender hereby covenants and agrees to exercise any voting right or other privilege that it may have from time to time in any of the actions or proceedings described in this Section 12 in favour of any plan, proposal, compromise, arrangement or similar transaction so as to give effect to (i) the right of the Collateral Agent (for and on behalf of the Beneficiaries) to receive payments and distributions otherwise payable or deliverable upon or with respect to the Subordinated Debt so long as any Senior Debt remains outstanding; or (ii) the obligation of the

Subordinated Lender to receive, hold in trust, and pay over to the Collateral Agent (for and on behalf of the Beneficiaries) certain payments and distributions as contemplated by Section 13, during the term of this Agreement.

- (c) In the event of any Insolvency Proceeding relating to the Debtor or any other Restricted Party, all rights of the Subordinated Lender to exercise the voting and other consensual rights pertaining to the Subordinated Debt will, at the option of the Collateral Agent, become vested in the Collateral Agent (for and on behalf of the Beneficiaries) and the Collateral Agent will thereupon have the right, but not the obligation, to exercise such voting and other consensual rights. For such purpose, the Subordinated Lender hereby irrevocably appoints the Collateral Agent or any authorized officer or employee of the Collateral Agent as its attorney in fact, with full power and authority in the place and stead of the Subordinated Lender and in the name of the Subordinated Lender or otherwise, from time to time in the Collateral Agent's absolute discretion and to the fullest extent permitted by law, to take any action and to execute any instruments which the Collateral Agent may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, and the Subordinated Lender hereby notifies all such actions that such attorney will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest (including, for certainty, an assignment of the Subordinated Lender's interest in any payments or distributions in respect of the Subordinated Debt in the event of any Insolvency Proceeding relating to the Debtor or any other Restricted Party) and will be irrevocable.
- (d) If any of the provisions of this Section 12 are stayed or otherwise rendered ineffective during the currency of any Insolvency Proceeding, such provision shall be deemed to be fully reinstated without any action by or on behalf of the Collateral Agent (or any other Beneficiary) upon such stay being lifted or such provision otherwise becoming effective, with each such affected provision having retroactive effect to the date that it was rendered ineffective.

13. **Payments Received by the Subordinated Lender.**

If, prior to the Senior Debt Repayment Date (including as a result of Senior Debt being deemed to be reinstated as set out in Section 12(a)), the Subordinated Lender or any Person on its behalf receives any Collateral or any payment from or distribution of assets of any Restricted Party or on account of the Subordinated Debt (including, upon payment or distribution to creditors in connection with any Insolvency Proceedings, in contravention or as a result of the contravention of the provisions hereof, or in a manner which is inconsistent with the provisions hereof (including, without limitation, as prohibited pursuant to Section 7)), then the Subordinated Lender will, and will cause such other Person to, receive and hold such Collateral, payment or distribution in trust for the benefit of the Collateral Agent and promptly pay the same over or deliver to the Collateral Agent (for and on behalf of the Beneficiaries) in precisely the form received by the Subordinated Lender or such other Person on its behalf (except for any necessary endorsement or assignment). If any of the Subordinated Debt is, in the circumstances dealt with above, discharged by way of set-off or consolidation of accounts, the Subordinated Lender shall immediately hold an amount equal to the amount so discharged in trust for application as herein set forth. The Collateral Agent shall apply such Collateral, payment or distribution (as contemplated in this Section) to the repayment of the Senior Debt in accordance with the terms of the Collateral Agent and Intercreditor Agreement.

14. **Beneficiaries Rights.**

The Subordinated Lender agrees that at all times prior to the Senior Debt Repayment Date, the Collateral Agent (for and on behalf of the Beneficiaries) will be entitled to deal with the Senior Security in accordance with the terms of the Collateral Agent and Intercreditor Agreement and the terms of each other Senior Debt Document and nothing herein will (i) prevent, restrict or limit the Collateral Agent in any manner from exercising all or any part of its rights and remedies otherwise permitted by the Collateral Agent and Intercreditor Agreement, any other Senior Debt Documents and by applicable law, (ii) prejudice or impair any right of the Collateral Agent (for and on behalf of the Beneficiaries) to enforce the subordination as provided in this Agreement, or (iii) affect or impair the obligations of the Subordinated Lender as provided in this Agreement (and the Subordinated Lender will not so prevent, restrict, limit, prejudice or impair such actions or rights), and without limiting the generality of the foregoing, the Subordinated Lender agrees that:

- (a) the Collateral Agent (for and on behalf of the Beneficiaries) in its absolute discretion and without diminishing the obligations of the Subordinated Lender hereunder, may grant time or other indulgences to the Debtor or any other Restricted Party and any other Person or Persons now or hereafter liable to the Beneficiaries in respect of the payment of the Senior Debt, and the Collateral Agent (for and on behalf of the Beneficiaries) may give up, modify, vary, exchange, renew or abstain from enforcing the Senior Security in whole or in part and may discharge any part or parts of or accept any composition or arrangements or realize upon the Senior Security when and in such manner as the Collateral Agent may think expedient, and in no such case will the Collateral Agent (or any other Beneficiary) be responsible for any act or omission with respect to the Senior Security or any part thereof;
- (b) the Subordinated Lender will not be released or exonerated from its obligations hereunder by extension of time periods or any other forbearance whatsoever, whether as to time, performance or otherwise or by any release, discharge, loss or alteration in or dealing with all or any part of the Senior Debt and the Senior Security or any part thereof or by any failure or delay in giving any notice required under this Agreement, the Collateral Agent and Intercreditor Agreement, the Senior Security, the other Senior Debt Documents, the Senior Debt, or any part thereof, the waiver by the Collateral Agent (for and on behalf of the Beneficiaries) of compliance with any conditions precedent to any advance of funds, or by any modification or alteration of the Collateral Agent and Intercreditor Agreement, the Senior Security, the other Senior Debt Documents, the Senior Debt or any part thereof, or by anything done, suffered or permitted by the Collateral Agent (for and on behalf of the Beneficiaries), or as a result of the method or terms of payment under the Senior Debt or the Senior Security or any part thereof or any assignment or other transfer of all or any part of the Collateral Agent and Intercreditor Agreement, the Senior Security, the other Senior Debt Documents, the Senior Debt or any part thereof;
- (c) no Beneficiary will be bound to seek or exhaust any recourse against any Restricted Party or any other Person or against the property or assets of any Restricted Party or any other Person or against any security, guarantee or indemnity before being entitled to the benefit of the Subordinated Lender's obligations hereunder and the Collateral Agent (for and on behalf of the Beneficiaries) may enforce the various remedies available to it and the other Beneficiaries and may realize upon the various security documents, guarantees and indemnities or any part thereof, held by the Beneficiaries

in such order as the Collateral Agent may determine appropriate but in a manner consistent with the terms of the Collateral Agent and Intercreditor Agreement;

- (d) the Subordinated Lender is fully responsible for acquiring and updating information relating to the financial condition of the Debtor and the other Restricted Parties and all circumstances relating to the payment or non-payment of the Subordinated Debt, and no Beneficiary shall any obligations to the Subordinated Lender in that regard;
- (e) no Beneficiary will be required to marshal in favour of the Subordinated Lender or any other Person the Senior Security or any other securities or any moneys or other assets which the Beneficiaries may be entitled to receive or upon which any Beneficiary may have a claim;
- (f) the Beneficiaries will be entitled to advance their own money as they see fit in order to preserve or protect the assets of any Restricted Party (or any other Person) or any part thereof or protect the Senior Debt or the Senior Security or maximize the recovery thereof, and all such sums advanced to the extent reasonably advanced for such purposes, will constitute part of the Senior Debt and will be secured by the Senior Security;
- (g) the Beneficiaries are entitled to amend, supplement, modify, restate or replace the Collateral Agent and Intercreditor Agreement, any of the Senior Security or any other Senior Debt Documents at any time and from time to time without the consent of, or notice to, the Subordinated Lender;
- (h) subject to the Collateral Agent and Intercreditor Agreement, the Collateral Agent (for and on behalf of the Beneficiaries) is entitled to, from time to time, sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner the Collateral or any other assets pledged or mortgaged for or otherwise securing the Senior Debt or any liability of any Restricted Party (or any other Person) or any liability incurred directly or indirectly in respect thereof;
- (i) the Collateral Agent (for and on behalf of the Beneficiaries) is entitled to exercise or delay in or refrain from exercising any right or remedy against any Restricted Party and the Subordinated Lender and is entitled to elect any remedy and otherwise deal freely with the Restricted Parties or the Subordinated Lender as it sees fit;
- (j) no Beneficiary is required to take or record or otherwise perfect or preserve the perfection of any Senior Security, liens or security interests securing the Senior Debt, or to exercise any right or remedy against any Restricted Party or any other Person;
- (k) the Collateral Agent is entitled to change, whether by addition, substitution, renewal, succession, assignment, grant of participation, transfer or otherwise, the Collateral Agent, subject to the terms of the Collateral Agent and Intercreditor Agreement; and
- (l) the Subordinated Lender will upon the written request of the Collateral Agent provide the Collateral Agent (for and on behalf of the Beneficiaries) with such details of the Subordinated Debt outstanding as the Collateral Agent may reasonably request.

15. **DIP Financing.**

In the event of an Insolvency Proceeding regarding a Restricted Party, whether voluntary or involuntary, the Subordinated Lender shall not propose, agree to provide or support any debtor in possession financing (a "**DIP Financing**") which is secured by a charge, lien, mortgage or other security interest that ranks in priority to or *pari passu* with the Senior Security. If any Restricted Party obtains DIP Financing from the Beneficiaries (or any of them), then the Subordinated Lender agrees it will: (a) subordinate the Subordinated Security to: (i) the charges, liens, mortgages and security interests securing any such DIP Financing, and (ii) any administrative or other court-ordered charges, and (b) not contest or raise any objection to such DIP Financing.

16. **Representations and Warranties.**

The Subordinated Lender hereby represents and warrants to the Collateral Agent and the other Beneficiaries, and acknowledges and agrees that the Collateral Agent and the other Beneficiaries are relying on such representations and warranties in connection with the entering into of this Agreement, that:

- (a) it is validly subsisting under the laws of its jurisdiction of formation and has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder;
- (b) it has not assigned or transferred the Subordinated Debt or any Subordinated Security and it has not pledged, hypothecated or granted a security interest in, or in respect of, the Subordinated Debt or Subordinated Security as at or prior to the date hereof other than in favour of the Collateral Agent and the other Beneficiaries pursuant to the Senior Debt Documents;
- (c) it has provided the Collateral Agent (for and on behalf of the Beneficiaries) with a true and complete copy of the Subordinated Loan Agreements and the agreement(s) constituting the Subordinated Security;
- (d) the execution, delivery, observance and performance on its part of this Agreement has been duly authorized by all necessary action and it has duly executed and delivered this agreement; and
- (e) this Agreement constitutes a valid and legally binding obligation, enforceable against it in accordance with its terms, subject however, to limitations with respect to enforcement imposed by Bankruptcy Law and subject to general equitable principles.

All of the representations and warranties set forth in this Section 16 shall survive the execution and delivery of this Agreement.

17. **Waivers of the Subordinated Lender.**

The Subordinated Lender agrees that: (i) no Beneficiary has made any representations or warranties in respect to the due execution, legality, completeness or enforceability of any agreement or instrument relating to the Collateral Agent and Intercreditor Agreement, the Senior Security, any other Senior Debt Document or the Senior Debt or the collectability of the Senior Debt, and (ii) subject to the terms of the Collateral Agent and Intercreditor Agreement, the Beneficiaries will be entitled to manage and supervise their loans and other financial accommodation to any Restricted Party or any other Person in accordance with applicable law and their usual practices, modified from time to time as they deem appropriate under the circumstances, or otherwise, without regard to the existence of any rights that the Subordinated Lender may now or hereafter have in or to any

of the assets of any Restricted Party; and (iii) no Beneficiary will have any liability to any Restricted Party or the Subordinated Lender for, and, to the extent permitted by applicable law, the Subordinated Lender hereby waives, any claims which the Subordinated Lender may now or hereafter have against the Beneficiaries out of, any and all actions which the any Beneficiary takes or omits to take (including, without limitation, actions taken by the Collateral Agent on behalf of the Beneficiaries and actions taken with respect to the creation, perfection or continuation of liens or security interest in any assets at any time securing payment of the Senior Debt, actions with respect to the occurrence of any default under any agreement or instrument relating to the Senior Debt, actions with respect to the release or depreciation of, or failure to realize upon, any assets securing payment of the Senior Debt and actions with respect to the collection of any claims or all or any part of the Senior Debt from any account debtor, Subordinated Lender or any other Person) with respect to the Senior Debt and any agreement or instrument related thereto or with respect to the collection of the Senior Debt or the valuation, use, protection or release of any assets securing payment of the Senior Debt except in accordance with the terms of the Collateral Agent and Intercreditor Agreement.

18. **No Rights to Restricted Parties.**

Nothing in this Agreement will create any rights in favour of, or obligations to any Restricted Party, and each Restricted Party acknowledges and agrees to the provisions of and ordering of priorities established by this Agreement and the terms hereof are for the sole benefit of the Beneficiaries and the Subordinated Lender.

19. **No Amendments to Subordinated Loan Agreements.**

The Subordinated Lender agrees with the Collateral Agent (for and on behalf of the Beneficiaries) that it will not, without obtaining the prior written consent of the Collateral Agent (for and on behalf of the Beneficiaries), amend, revise supplement or replace any Subordinated Loan Agreement or any other documents related thereto in any manner whatsoever.

20. **Further Assurances.**

The parties hereto shall forthwith, and from time to time, execute and do all deeds, documents and things which may be necessary or advisable, in the reasonable opinion of the Collateral Agent and its counsel, to give full effect to the postponement and subordination of the rights and remedies of the Subordinated Lender in respect to the Subordinated Debt to the rights and remedies of the Collateral Agent and the other Beneficiaries in respect to the Senior Debt, the Senior Security and any other Senior Debt Document, all in accordance with the intent of this Agreement.

21. **Successors and Assigns.**

- (a) This Agreement is binding upon the Collateral Agent, the Subordinated Lender, and each Restricted Party and their respective successors and assigns and, subject to Section 21(b) below, will enure to the benefit of the Beneficiaries and the Subordinated Lender, and their respective successors and permitted assigns.
- (b) The Collateral Agent will be entitled to assign all or any part of its rights and obligations under this Agreement or with respect to the Senior Debt in compliance with the terms of the Collateral Agent and Intercreditor Agreement, if the Collateral Agent's obligations under this Agreement are assumed or are deemed to be assumed in full by the Person to whom the Collateral Agent's obligations under the Collateral Agent and Intercreditor Agreement and the Senior Debt Documents are assigned.
- (c) Neither the Restricted Parties nor the Subordinated Lender shall be entitled to assign all or any part of their respective rights and obligations under this Agreement or the Subordinated Debt or Subordinated Security.
- (d) Except in accordance with Sections 21(a), 21(b) or 21(c) hereof, third parties will have no rights or benefits under this Agreement.

22. **Entire Agreement; Severability.**

This Agreement contains the entire agreement among the parties hereto with respect to the subordination, postponement and stand-still of obligations of the Subordinated Lender. Notwithstanding anything contained herein, the provisions of the Collateral Agent and Intercreditor Agreement shall govern notwithstanding the terms of hereof (including in the case of any conflict between the terms of this Agreement and the terms of the Collateral Agent and Intercreditor Agreement) and whether or not any Insolvency Proceeding shall have commenced against any Restricted Party or the Subordinated Lender. If any of the provisions of this Agreement shall be held invalid or unenforceable by any court having jurisdiction, this Agreement shall be construed as if not containing those provisions, and the rights and obligations of the parties hereto should be construed and enforced accordingly. This Agreement cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or agreements, express, implied or statutory, between the Collateral Agent and the Subordinated Lender with respect to the subject matter hereof except as expressly set forth herein.

23. **Other Rights Not Affected.**

The postponement and subordination provided for in this Agreement is in addition to and not in substitution for or limitation of any other agreement, right or other security by whomsoever given or at any time held by or for the benefit of the Beneficiaries in respect of the obligations of the Restricted Parties or the Subordinated Lender to the Beneficiaries, and nothing in this Agreement shall limit or prejudice any of the contractual, statutory or other rights of the Beneficiaries or the Subordinated Lender or the contractual, statutory or other priority of the obligations of the Restricted Parties and the Subordinated Lender to the Beneficiaries or the Restricted Parties to the Subordinated Lender, in each case, insofar as such rights or priority arises or exists outside of this Agreement.

24. **Acknowledgement.**

Each Restricted Party and the Subordinated Lender hereby acknowledges receipt of a copy of this Agreement and accepts and further agrees with the Collateral Agent to give effect to all of the provisions of this Agreement, notwithstanding the terms of the Subordinated Loan Agreements.

25. **Governing Law.**

This Agreement will be governed and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

26. **Termination.**

This Agreement will terminate upon the earlier of the written agreement of the Collateral Agent (for and on behalf of the Beneficiaries), the Restricted Parties and the Subordinated Lender.

27. **Amendments and Waivers.**

- (a) No provision of this agreement may be amended, waived, discharged or terminated orally nor may any breach of any of the provisions of this Agreement be waived or discharged orally, and any such amendment, waiver, discharge or termination may only be made in writing signed by the Collateral Agent (for and on behalf of the Beneficiaries), the Subordinated Lender and each Restricted Party, provided, however, that no consent of the Restricted Parties shall be necessary to any amendment of the terms hereof by the Collateral Agent and the Subordinated Lender unless the interests of the Restricted Parties are directly and adversely affected.
- (b) No failure on the part of the Collateral Agent (for and on behalf of the Beneficiaries) to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof unless specifically waived in writing, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- (c) Any waiver of any provision of this Agreement or consent to any departure by any part therefrom shall be effective only in the specific instance and for the specific purpose for which given and shall not in any way be or be construed as a waiver of any future requirement.

28. **Enurement.**

This Agreement will be binding upon and enure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or will confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

29. **Notices.**

Any notice to be given under this Agreement may be effectively given by delivering (whether by courier or personal delivery) such notice at the address set forth in the signature pages of this Agreement or by sending such notice by prepaid registered mail to such address or by facsimile to the parties at the facsimile number set out on the signature pages of this Agreement. Any notice mailed will be deemed to have been received on the 5th day next following the registered mailing of such notice. Any facsimile notice will be deemed to have been received on transmission if sent before 4:00 p.m. Toronto time on a Business Day, and, if not, on the next Business Day following transmission.

30. **Waiver of Jury Trial.**



The parties hereto do hereby irrevocably, 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 this Agreement.

31. **Collateral Agent Execution.**

China Construction Bank Toronto Branch is entering into this Agreement in its capacity as collateral agent under the Collateral Agent and Intercreditor Agreement and as collateral agent for and on behalf of each of the Beneficiaries.

32. **Counterpart and Facsimile Execution.**

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. For the purposes of this Section, the delivery of a facsimile copy or pdf formatted copy of an executed counterpart of this Agreement shall be deemed to be valid execution and delivery of this Agreement.

33. **Power of Attorney**

The Subordinated Lender hereby constitutes and appoints the Collateral Agent and any officer or agent of the Collateral Agent, 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 Subordinated Lender or in the Subordinated Lender's own name, from time to time in the Collateral Agent's discretion, to take any and all appropriate action or step which the Subordinated Lender is required to take hereunder (including any endorsements or other instruments of transfer or release) in the name of the Subordinated Lender whenever and wherever the Collateral Agent may consider it to be necessary or expedient, which appointment shall be irrevocable and coupled with an interest.

34. **Amendment and Restatement.**

Effective as of the date hereof, the subordination and postponement agreement made as of January 31, 2017 (the "**Original Agreement**") between China Construction Bank Toronto Branch (in such capacity, the "**Original CCB Lender**"), the Debtor and the Subordinated Lender is: (a) hereby amended and restated as set forth herein without in any way affecting the rights or obligations of any party which may have accrued as of the date hereof pursuant to the provisions of the Original Agreement prior to the amendment and restatement hereby; and (b) as so amended and restated, the Original Agreement is hereby ratified and confirmed. All references to the Original Agreement or similar references contained in the documents delivered prior to the effectiveness of this Agreement in connection with or under the Original Agreement shall be references to this Agreement without further amendment to those documents.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their respective officers or representatives as of the day and year first above written.

**LONG RUN EXPLORATION LTD.**, as  
Debtor

Address:  
Eau Claire Tower  
600, 600 3rd Avenue SW  
Calgary, Alberta T2P 0G5

By:

Attention: Chief Executive Officer  
Facsimile No.: (403) 262-5561

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

By:

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

**CHINA CONSTRUCTION BANK**  
**TORONTO BRANCH**, as Collateral  
Agent and as Original CCB Lender

Address:  
3650 – 181 Bay Street  
Toronto, ON  
M5J 2T3

Attention: Ziqing Zou (Eddie)  
Senior Vice President, Corporate Banking  
Facsimile No.: (647) 777-7739

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**CALGARY SINOENERGY  
INVESTMENT CORP.**, as Subordinated  
Lender

Address:  
Eau Claire Tower  
600, 600 3rd Avenue SW  
Calgary, Alberta T2P 0G5

Attention: Chief Executive Officer  
Facsimile No.: (403) 262-5561

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**Schedule 1.01(A)**

**Compliance Certificate**

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: •

This Compliance Certificate is delivered to you pursuant to Section [9.03(3) / 9.03(4)] of the amended and restated credit agreement made as of October 27, 2020 between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Compliance Certificate that are defined in the Credit Agreement have the same meanings herein.

I, [name], the [title] of the Borrower, certify for and on behalf of the Borrower, and not in my personal capacity and without personal liability whatsoever, that:

1. Representations and Warranties All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof unless varied as contemplated in Section 8.02.
2. Terms, Covenants and Conditions All of the terms, covenants and conditions of the Credit Agreement and each of the other Loan Documents to be performed or complied with by the Borrower at or prior to the date hereof have been performed or complied with.
3. Default No Default or Event of Default has occurred and is continuing on the date hereof.
4. Financial Statements Attached hereto are the financial statements of most recent date referred to in Sections 9.03(1) and (2) of the Credit Agreement.
5. Consolidated Total Debt Consolidated Total Debt as at \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.
6. Consolidated Senior Debt Consolidated Senior Debt as at \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.
7. EBITDA Consolidated EBITDA for the four fiscal quarters ended \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.
8. Additional Contribution Additional Contribution as at the fiscal quarter ended \_\_\_\_\_ is Cdn. \$\_\_\_\_\_, and Borrower elects to include Cdn. \$\_\_\_\_\_ of Additional Contribution to Adjusted Consolidated EBITDA for the

fiscal quarter ended \_\_\_\_\_. After this election, Additional Contribution shall be reduced and stand at Cdn. \$\_\_\_\_\_.

9. Adjusted Consolidated EBITDA Adjusted Consolidated EBITDA for the four fiscal quarters ended \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.

9. Consolidated Interest Expense Consolidated Interest Expense for the four fiscal quarters ended \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.

10. Financial Covenant Compliance

A. Consolidated Senior Debt to Adjusted Consolidated EBITDA Ratio

<u>Quarter Ending</u>	<u>Maximum Permitted Ratio</u>	<u>Actual Ratio</u>
•	•	•

B. Interest Coverage Ratio

<u>Quarter Ending</u>	<u>Maximum Permitted Ratio</u>	<u>Actual Ratio</u>
•	•	•

**DATED** effective the date and year first above written.

**LONG RUN EXPLORATION LTD.**

Per:

Name: [ ]

Title: [ ]

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**Schedule 1.01(B)**

**Environmental Certificate**

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: ●

This Environmental Certificate is delivered to you pursuant to Section [9.03(3) / 9.03(4)] of the amended and restated credit agreement made as of October 27, 2020 between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Environmental Certificate that are defined in the Credit Agreement have the same meanings herein.

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 and without assuming any personal liability whatsoever:

1. The following certifications in sections 3 to 9 are made to my knowledge after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Borrower to confirm that the internal environmental reporting and response procedures of the Borrower 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 Borrower 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 a Governmental Authority by the Borrower, or of which the Borrower is otherwise aware, with respect to any alleged violation of or alleged liability under any Environmental Laws by the Borrower; or

- (b) stop, cleanup or preventative orders, direction or action requests, notice of which has been received from a Governmental Authority by the Borrower or which the Borrower is 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 the Borrower.
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 the Borrower.
  6. None of the lands and facilities owned, leased, managed, controlled or operated by the Borrower, 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 the Borrower, 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 Borrower has obtained all permits, licenses and other authorizations (collectively the "**Permits**") except where not obtaining a Permit could not constitute or be reasonably be expected to constitute or cause a Material Adverse Effect, which are required under Environmental Laws and are in compliance, except where non-compliance could not constitute or be reasonably be expected to constitute or cause a Material Adverse Effect, 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 Borrower is not aware of any matter affecting the environment which has had or could reasonably be expected to have a Material Adverse Effect.

**DATED** effective the date and year first above written.

**LONG RUN EXPLORATION LTD.**

Per:

Name: [ ]

Title: [ ]

---



**Schedule 1.01(C)**

**Drawdown Notice**

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: ●

---

1. This Drawdown Notice is delivered pursuant to the amended and restated credit agreement made as of October 27, 2020, between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Drawdown Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby requests the following Loan(s) and Letter(s) of Credit:

(a) Drawdown Date: \_\_\_\_\_

(b) Type of Credit Facility:

[ ] Revolving Term Facility

(c) Type and Amount of each Loan (check appropriate boxes)

Amount

( ) Letter of Credit:

Amount

Term in Months

Cdn. \$ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Representations and Warranties All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof unless varied as contemplated in Section 8.02.

4. All of the conditions precedent to the Loan(s) and Letter(s) of Credit requested hereby that have not been properly waived in writing by the Lender has been satisfied.

5. No Default or Event of Default has occurred and is continuing or will have occurred and be continuing on the Drawdown Date, or will result from the Loan(s) and Letter(s) of Credit requested hereby.

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**Schedule 1.01(F)**

**Relevant Jurisdictions**

ALBERTA

SASKATCHEWAN

BRITISH COLUMBIA

**Schedule 1.01(G)**

**Repayment Notice**

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: •

---

1. This Repayment Notice is delivered pursuant to **[Section 6.04]** [or] **[Section 6.05]** of the amended and restated credit agreement made as of October 27, 2020, between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Repayment Notice that are defined in the Credit Agreement have the same meanings herein.
2. The Borrower hereby gives you notice that it intends to repay **[[Cdn. \$•] under the Non-Revolving Term Facility, such amount being the Net Proceeds from [describe Disposition]] or [repay [Cdn. \$•] under the Non-Revolving Term Facility on [date which must be at least 5 Business Days after the delivery of this Notice]].**
3. The amount of such repayment will, subject to the provisions of the Credit Agreement, be used to repay Loans of the following type:

<u>Loan Type</u>	<u>Principal Amount</u>
•	•

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_

Name:

Title:

Schedule 8.01(17)

Ownership Structure

<b>Legal Name</b>	<b>Jurisdiction of Incorporation or Formation</b>	<b>Location of Chief Executive Office</b>	<b>Location of Business and Assets</b>	<b>Ownership of Issued Voting Securities</b>	<b>Designation</b>
Long Run Exploration Ltd.	Alberta	600, 600 3rd Avenue SW, Calgary, Alberta, T2P 0G5	Alberta, British Columbia and Saskatchewan	100% common shares held by Calgary Sinoenergy Investment Corp.	Borrower
Calgary Sinoenergy Investment Corp.	Alberta	600, 600 3rd Avenue SW, Calgary, Alberta, T2P 0G5	Alberta	Sinoenergy Oil Investment Ltd.	Guarantor

**Schedule 8.01(21)**

**Intellectual Property Rights**

NIL

**Schedule 8.01(25)**

**Pension Plan Disclosure**

NIL

**Schedule 8.01(30)**

**Controlled Account Disclosure**

<b>Owner</b>	<b>Type of Accounts</b>	<b>Account Numbers</b>	<b>Depository Institution/Address</b>	<b>Description of Account</b>
Long Run Exploration Ltd	CAD	129890055611	Bank of Nova Scotia 44 King Street West Toronto, Ontario, Canada M5H 1H1	Business CAD account
Long Run Exploration Ltd	USD	129890701319	Bank of Nova Scotia 44 King Street West Toronto, Ontario, Canada M5H 1H1	Business USD account
Long Run Exploration Ltd	CAD USD RMB	682001018700	China Construction Bank, 181 Bay Street, Suite 3650, Toronto, ON M5J 2T3	Current account



**Schedule 9.01(5)**

**Calgary Sinoenergy Business**

No active business. Liability listing as attached.

As at September 30, 2020:

Liabilities and Owner's Equity		Balance
Current Liabilities		
Short-term loans		
Financial Liabilities		
Notes payable		
Accounts payable		
Advance from customers		
Payroll payable		
Taxes payable		-
Interest payable		
Dividend payable		
Other payable		350,566,329.55
Non-current liability due within one year		
Other current liability		
<b>Total current liability</b>		<b>350,566,329.55</b>
Non-current liabilities :		
Long-term loans		320,070,000.00
Bonds payable		
Long-term payable		
Grants & Subsidies received		
Provisions		
Deferred Tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>		<b>320,070,000.00</b>
<b>Total Liabilities</b>		<b>670,636,329.55</b>

**CREDIT AGREEMENT**

**BETWEEN**

**LONG RUN EXPLORATION LTD.**

**as Borrower**

**AND**

**CALGARY SINOENERGY INVESTMENT CORP.**

**as Guarantor**

**AND**

**CHINA CONSTRUCTION BANK CORPORATION, QINGDAO BRANCH AND THE  
OTHER LENDERS FROM TIME TO TIME PARTY HERETO**

**as Lenders**

**AND**

**CHINA CONSTRUCTION BANK TORONTO BRANCH  
as Administrative Agent and Collateral Agent**

**MADE AS OF**

**October 27, 2020**

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## CREDIT AGREEMENT

THIS AGREEMENT is made as of October 27, 2020

BETWEEN

Long Run Exploration Ltd., a corporation incorporated under the laws of the Province of Alberta, Canada (the "**Borrower**"),

- and –

Calgary Sinoenergy Investment Corp., a corporation incorporated under the laws of the Province of Alberta, Canada, as a Guarantor (together with its successors and permitted assigns, "**Calgary Sinoenergy**"),

- and –

China Construction Bank Corporation, Qingdao Branch and the other lenders from time to time party hereto (collectively, the "**Lenders**"),

- and –

China Construction Bank Toronto Branch, as administrative agent for the Lenders hereunder (in such capacity, together with any successor Administrative Agent appointed hereunder, collectively, the "**Administrative Agent**") and collateral agent under the Collateral Agent and Intercreditor Agreement (in such capacity, together with any successor Collateral Agent appointed under the Collateral Agent and Intercreditor Agreement, collectively, the "**Collateral Agent**").

WHEREAS the Borrower has requested the Credit Facility and the Lenders have agreed to provide the Credit Facility to the Borrower upon and subject to the terms and conditions set out in this Agreement.

AND WHEREAS Cdn.\$242,950,808.57 of the principal amount outstanding under the Existing Credit Agreement is being re-financed by this Agreement.

AND WHEREAS the remaining Cdn.\$114,434,905.72 of the principal amount outstanding under the Existing Credit Agreement are being continued under and pursuant to the CCB Toronto Credit Agreement.

AND WHEREAS pursuant to the Collateral Agent and Intercreditor Agreement, the Collateral Agent shall hold the CCB SBLC for the benefit of the Lenders, in respect of this Agreement, and CCB Toronto, in respect of the CCB Toronto Credit Agreement, in all cases to secure the indebtedness due to the Collateral Agent, in its capacity as agent with respect to the

Obligations and the "Obligations" (as defined under the CCB Toronto Credit Agreement); which in aggregate, shall continue to constitute the loan advanced by China Construction Bank Toronto Branch pursuant to the Existing Credit Agreement (being, for certainty, the loan agreement contemplated in the CCB SBLC).

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

## **ARTICLE 1 - INTERPRETATION**

### 1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Adjusted Excess Cash Flow**" means, for any period of determination, with respect to the Borrower on a consolidated basis, an amount determined in Canadian Dollars equal to Consolidated EBITDA, less:

- (i) the aggregate of:
  - (A) Total Interest Expense (calculated on the basis of amounts that are actually paid) for such period;
  - (B) permanent debt repayments of the Borrower actually paid during such period;
  - (C) the amount of all Capital Expenditures of the Borrower not financed by debt actually paid or incurred (without duplication) by the Borrower during such period; and
  - (D) all amounts actually paid by the Borrower in such period in respect of Capital Leases; and
- (ii) Taxes actually paid by the Borrower in such period.

"**Administrative Agent**" has the meaning set out in the preamble hereto.

"**Affected Financial Institution**" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"**Affiliate**" means, with respect to a specified Person, (i) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, (ii) any officer or director of such Person, or (iii) an entity in respect of which such Person, or any officer or director thereof, holds, directly or indirectly, more than 10% of the equity interests having ordinary voting power for the election of directors or other governing body of such entity.

"**Agreement**" means this credit agreement, including its recitals and schedules.

"**AML Legislation**" has the meaning ascribed thereto in Section 14.16.

**"Anti-Corruption Laws"** means all laws concerning or relating to bribery or public corruption, including CFPOA, the *UK Bribery Act* and the FCPA and any similar laws currently in force or hereafter enacted (and including any regulations, rules, guidelines or orders thereunder) and, in any case, which are applicable to the Borrower, the other Restricted Parties or any Subsidiaries thereof or the Secured Parties or any Affiliates thereof.

**"Anti-Money Laundering/ Anti-Terrorist Financing Laws"** means all laws concerning or relating to money laundering or terrorist financing, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Bank Secrecy Act*, 31 U.S.C. sections 5301 et seq., the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Pub. L. 107-56 (a/k/a the USA Patriot Act), *Laundering of Monetary Instruments*, 18 U.S.C. section 1956, *Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity*, 18 U.S.C. section 1957, the *Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulations*, 31 C.F.R. Chapter X (Parts 1000 et. seq.) and any similar laws currently in force or hereafter enacted (and including any regulations, rules, guidelines or orders thereunder) and, in any case, which are applicable to the Borrower, any other Restricted Party or any of their respective Subsidiaries or the Secured Parties or any Affiliates thereof.

**"Applicable Law"** means:

- (i) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise);
- (ii) any judgement, order, writ, injunction, decision, ruling, decree or award;
- (iii) any regulatory policy, practice, guideline or directive; or
- (iv) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

**"Applicable LMR Jurisdiction"** means with respect to the Borrower or any other Restricted Party, as the context requires, any jurisdiction in Canada in which, the Borrower or such other Restricted Party, as applicable, directly owns P&NG Leases, P&NG Rights or other facilities or assets (relevant to the determination of the LMR in such jurisdiction).

**"Applicable Margin"** means 245 bps (2.45%) *per annum*.

**"Assignment"** has the meaning set out in Section 14.07(1).

**"Bail-In Action"** means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

**"Bail-In Legislation"** means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of



the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their Affiliates (other than through liquidation, administration or other insolvency proceedings).

**"BOC SBLC Indemnity"** means, the indemnity and reimbursement agreement made effective as of the date hereof from the Restricted Parties in favour of the BOC SBLC Provider whereby, *inter alia*, the Restricted Parties agree to indemnify and reimburse the BOC SBLC Provider for amounts drawn under the BOC SBLC, as amended, supplemented or otherwise modified from time to time.

**"BOC SBLC Provider"** means Bank of China (Qingdao Branch), as issuer of the BOC SBLC.

**"BOC SBLC"** means the standby letter of credit dated January 25, 2017 issued by the BOC SBLC Provider to the beneficiary described therein in an original aggregate total amount of Cdn.\$152,000,000, as amended to the date hereof, and as further amended, supplemented or otherwise modified from time to time (with the consent of the beneficiary thereof in its sole discretion).

**"Borrower's Counsel"** means Borden Ladner Gervais LLP or such other firm of legal counsel as the Borrower may from time to time designate and that is acceptable to the Administrative Agent and the Lenders.

**"Business Day"** means a day of the year, other than a Saturday, Sunday or statutory holiday, on which the Administrative Agent is open for business at its executive offices in Toronto, Ontario.

**"Calgary Sinoenergy"** has the meaning set out in the preamble hereto.

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

**"Capital Expenditures"** means any expenditure made by any Person for the purchase or acquisition, repair or replacement of capital assets, including without limitation, Petroleum Substances, net of proceeds of disposition of capital assets (other than proceeds received on a sale-leaseback transaction), and any expenditure related to a Capital Lease or an operating lease in respect of which such Person has furnished a residual value guarantee to the lessor, but excluding the amount expended on repair or replacement of Property to the extent of insurance proceeds or third party funding received by such Person on account of damage or destruction, all as determined in accordance with GAAP.

**"Capital Lease"** means a capital lease or a lease that should be treated as a capital lease under GAAP; provided that any present or future lease that would have been treated as an operating lease under GAAP as in effect on December 31, 2018 shall not constitute a Capital Lease for all purposes of this Agreement.

**"CCB SBLC Indemnity"** means, the indemnity and reimbursement agreement made effective as of the date hereof from the Restricted Parties in favour of the CCB SBLC Provider whereby, *inter alia*, the Restricted Parties agree to indemnify and reimburse the CCB SBLC Provider for amounts drawn under the CCB SBLC, as amended, supplemented or otherwise modified from time to time.

"**CCB SBLC Provider**" means China Construction Bank Corporation, Qingdao Branch, as issuer of the CCB SBLC.

"**CCB SBLC**" means the standby letter of credit dated January 26, 2017 issued by the CCB SBLC Provider to the beneficiary described therein in an original aggregate total amount of Cdn.\$454,000,000.00 and held by the Collateral Agent pursuant to the Collateral Agent and Intercreditor Agreement, for the benefit of the Lenders, in respect of this Agreement, and CCB Toronto, in respect of the CCB Toronto Credit Agreement, in all cases to secure the indebtedness due to the Collateral Agent, in its capacity as agent with respect to the Obligations and the "Obligations" (as defined under the CCB Toronto Credit Agreement); which in aggregate, shall continue to constitute the loan advanced by China Construction Bank Toronto Branch pursuant to the Existing Credit Agreement (being, for certainty, the loan agreement contemplated in the CCB SBLC), as amended to the date hereof, and as further amended, supplemented or otherwise modified from time to time (with the consent of the beneficiary thereof in its sole discretion).

"**CCB Toronto**" means China Construction Bank Toronto Branch (and its successors and assigns) in its capacity as lender under the CCB Toronto Credit Agreement.

"**CCB Toronto Credit Agreement**" means the amended and restated credit agreement made as of the date hereof between the Borrower, Calgary Sinoenergy, CCB Toronto and the Collateral Agent which amends and restates the Existing Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"**CCB Toronto Payout Date**" means the date on which (a) the Credit Facilities (as defined in the CCB Toronto Credit Agreement) and all other Obligations (as defined in the CCB Toronto Credit Agreement) have been indefeasibly paid, performed or discharged in full in full, (b) no Person has any further right to obtain any loans, letters of credit or other extensions of credit under the CCB Toronto Credit Agreement or any other Loan Documents (as defined in the CCB Toronto Credit Agreement) and (c) any and all applicable letters of credit or similar instruments issued under such documents have been cancelled and returned (or backed by stand-by guarantees or cash collateralized) in accordance with the terms of such documents.

"**CDOR**" means, with respect to any Interest Period, the stated average of the annual rates that appears on the Reuters Screen CDOR page with respect to banks named in Schedule I to the Bank Act (Canada) as of 10:00 a.m. (Toronto time) on such day (or, if such day is not a Business Day, as of 10:00 a.m. on the next preceding Business Day) for bankers' acceptances issued on that day for a term equal or comparable to the term of such bankers' acceptances, provided that: (a) if such rate does not appear on the Reuters Screen CDOR page at such time on such day, CDOR for such day will be the discount rate (calculated on an annual basis and rounded upward, if necessary, to the nearest whole multiple of 1/100 of 1%, with 5/1,000 of 1% being rounded up) as of 10:00 a.m. on such day at which such other financial institutions as selected by the Administrative Agent (on behalf of the Lenders), from time to time, are then offering to purchase bankers' acceptances accepted by it having an aggregate face amount equal to the aggregate face amount of, and with a term equal or comparable to the term of, such bankers' acceptances and (b) if the rate determined as aforesaid shall ever be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"**CDOR Discontinuation Date**" has the meaning set out in Section 2.11.

"**CDOR Loan**" means a Loan made in Canadian Dollars by a Lender pursuant to which CDOR is the applicable rate of interest.

"**CFPOA**" means the *Corruption of Foreign Public Officials Act* (Canada).

"**Change in Law**" means the occurrence, after the date of this Agreement, of any of the following:

- (i) the adoption or taking effect of any Applicable Law,
- (ii) any change in any Applicable Law or in the administration, interpretation or application thereof by any Governmental Authority; or
- (iii) the making or issuance of any Applicable Law by any Governmental Authority.

"**Closing Date**" means the date hereof.

"**Collateral Agent**" has the meaning set out in the preamble hereto.

"**Collateral Agent and Intercreditor Agreement**" has the meaning set out in Section 10.01(j).

"**Commitment**" means each amount specified in Schedule A, in each case being the sum of the maximum aggregate amount of Loans that the Lenders are obliged to make, as each such amount may be reduced from time to time by the amount of any permanent repayments, reductions or prepayments required or made hereunder, or may be cancelled or terminated pursuant to this Agreement.

"**Compliance Certificate**" means a certificate required pursuant to Section 9.03(3) or 9.03(4), as the case may be, substantially in the form attached as Schedule 1.01(A), signed by any one of the Chief Executive Officer or the Vice President of the Borrower.

"**Consolidated EBITDA**" means, without duplication, in respect of any period of determination and as determined on a consolidated basis in respect 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 Borrower and its Subsidiaries, 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; and

(e) the net amount of losses deducted in determining Consolidated Net Income resulting from the disposition of assets (excluding inventory); and

less to the extent included in the calculation of such Consolidated Net Income:

(f) any extraordinary and non-recurring income and gains;

(g) non-cash gains resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Borrower and its Subsidiaries for such period; and

(h) all other non-cash gains added in determining Consolidated Net Income.

Consolidated EBITDA will be adjusted for acquisitions and 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 that is consistent with the foregoing and supported by such back-up information as the Administrative Agent (on behalf of the Lenders) may reasonably request and is otherwise satisfactory to the Administrative Agent and the Lenders, 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 Leases, discounts and stamping fees payable in respect of bankers' acceptances and letters of credit, discounts in respect of any securitization programs and commitment or standby fees, and adjusted for the net amount paid or payable (or less the net amount received or receivable) under any hedging contracts in respect of such period, but shall not include (a) any interest expense relating to the Deeply Subordinated Loans or Convertible Debentures or any other obligation of the Borrower to another Restricted Party under which such obligations are postponed in favour of the Secured Parties or (b) with the prior written consent of the Administrative Agent (on behalf of the Lenders), any interest expense component(s) of any obligations under or in respect of the Capital Leases disclosed to the Administrative Agent and the Lenders by the Borrower in writing from time to time.

**"Consolidated Net Income"** means, with respect to any Person for any period, the net revenue of such Person for such period on a consolidated basis, less all expenses and other charges not otherwise deducted in computing such net revenue for such period, determined in accordance with GAAP, but excluding extraordinary items as determined in accordance with GAAP, earnings resulting from any reappraisal, revaluation or other write-up of assets and gains arising from the repurchase of any equity security of such Person or any Subsidiary.

**"Contingent Obligation"** means, with respect to any Person, any obligation, whether secured or unsecured, of such Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by the primary obligor of any such primary obligation and any obligations of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to

advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect of such primary obligation; provided, however, that the term Contingent Obligation does not include endorsements of instruments for deposit or collection in the ordinary course of business.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" have corresponding meanings.

"**Controlled Accounts**" means, collectively, all bank accounts of the Restricted Parties (other than Calgary Sinoenergy), for certainty, whether or not such accounts shall be subject to an account control agreement.

"**Convertible Debentures**" means (i) as of the date hereof, the convertible subordinated debentures described in Schedule B hereof under the heading "Convertible Debentures" and (ii) thereafter, any unsecured convertible subordinated debentures or notes issued (or assumed) by the Borrower which have all of the following characteristics:

- (a) a final maturity or due date in respect of repayment of principal extending beyond the Final Maturity Date in effect at the time such debentures or notes are created, incurred, assumed or guaranteed;
- (b) no scheduled or mandatory payment or repurchase of principal thereunder (other than acceleration following an event of default in regard thereto or payments which can be satisfied by the delivery of securities of the Borrower as contemplated in (f) below and other than on a change of control of the Borrower where an Event of Default also occurs under Section 9.04(3) hereof) prior to the Final Maturity Date in effect at the time such debentures or notes are created, incurred, assumed or guaranteed;
- (c) upon and during the continuance of an Event of Default or acceleration of the time for repayment of any of the Obligations which has not been rescinded, (i) all amounts payable in respect of principal, premium (if any) or interest under such debentures or notes are subordinate and junior in right of payment to all such Obligations and (ii) no enforcement steps or enforcement proceedings may be commenced in respect of such debentures or notes;
- (d) upon distribution of the assets of the Borrower on any dissolution, winding up, total liquidation or reorganization of Borrower (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such Person, or otherwise), all Obligations shall first be paid in full, or provisions made for such payment, before

any payment is made on account of principal, premium (if any) or interest payable in regard to such debentures or notes;

- (e) the occurrence of a Default or Event of Default hereunder or the acceleration of the time for repayment of any of the Obligations or enforcement of the rights and remedies of the Secured Parties hereunder or under any other Loan Document shall not in and of themselves:
  - (i) cause a default or event of default (with the passage of time or otherwise) under such debentures or notes or the indenture governing the same; or
  - (ii) cause or permit the obligations under such debentures or notes to be due and payable prior to the stated maturity thereof;

provided however that, notwithstanding the foregoing provisions of subparagraph (e), (but, for certainty, without limiting or affecting in any manner whatsoever the provisions of this definition), such debentures or notes and the indenture or agreement governing the same may provide that an event of default under another indenture, agreement or instrument evidencing Debt of a Restricted Party which has resulted in:

- (A) Debt thereunder in excess of Cdn. \$20,000,000 (or the Equivalent Amount in any other currency) being accelerated; and
- (B) the holders of such Debt being entitled to commence, and such holders having commenced, the enforcement of the security they hold for such Debt (if any) or the exercise of any other creditors' remedies to collect such Debt,

may constitute an "event of default" under and as defined in such debentures or notes and indenture or agreement governing the same;

- (f) payments of interest or principal due and payable under such debentures or notes can be satisfied, at the option of the Borrower, by delivering voting Securities of the Borrower in accordance with the indenture or agreement governing such debentures or notes (whether such voting Securities of the Borrower is received by the holders of such debentures or notes as payment or are sold by a trustee or representative under such indenture or agreement to provide cash for payment to holders of such debentures or notes) and provided no default or event of default has occurred and is continuing under any such indenture or agreement; and
- (g) the holder thereof has entered into a subordination and postponement agreement in favour of the Secured Parties in the form attached hereto as Schedule C.

**"Credit Facility"** has the meaning set out in Section 2.01.

"**Debt**" means, with respect to any Person, all obligations that, in accordance with GAAP, would then be classified as a liability of such Person, and, without duplication, includes, with respect to such Person,

- (i) an obligation in respect of borrowed money or for the deferred purchase price of Property or services or an obligation that is evidenced by a note, bond, debenture or any other similar instrument;
- (ii) a transfer with recourse or with an obligation to repurchase, to the extent of the liability of such Person with respect thereto;
- (iii) an obligation under a Capital Lease;
- (iv) an obligation under a residual value guarantee made with respect to an operating lease in which such Person is the lessee;
- (v) a reimbursement obligation or other obligation in connection with a bankers' acceptance or any similar instrument, or letter of credit or letter of guarantee issued by or for the account of such Person;
- (vi) a Contingent Obligation to the extent that the primary obligation so guaranteed would be classified as "Debt" (within the meaning of this definition) of such Person; or
- (vii) the aggregate amount at which any shares of such Person that are redeemable or retractable at the option of the holder of such shares (except where the holder is such Person) may be redeemed or retracted prior to the Final Maturity Date for cash or obligations constituting Debt or any combination thereof;

provided, however, that there will not be included for the purpose of this definition any obligation that is on account of (A) reserves for deferred income taxes or general contingencies, (B) minority interests in Subsidiaries, or (C) accounts payable and accrued liabilities (including contract loans and income taxes payable) incurred in the ordinary course of business.

"**Deeply Subordinated Loan**" means, as of the date hereof, the indebtedness described in Schedule B hereof under the heading "Deeply Subordinated Loans" and the Convertible Debentures and, thereafter, any indebtedness of the Borrower to Calgary Sinoenergy or any Affiliate thereof which has all of the following characteristics:

- (i) the holder of such indebtedness may not receive payments on account of principal;
- (ii) no security may be held in respect of such indebtedness (except for any such security that may be subordinated to the Security on terms satisfactory to the Lender, acting reasonably);
- (iii) the holder of such indebtedness may not take any enforcement action in respect of any such loan without the prior written consent of the Lender (except to the extent, if any, expressly permitted therein); and

- (iv) the holder thereof has entered into a subordination and postponement agreement in favour of the Secured Parties in the form attached hereto as Schedule C.

**"Default"** means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both.

**"Depreciation Expense"** means, for any period with respect to any Person, depreciation, amortization, depletion and other like reductions to income of such Person for such period not involving any outlay of cash.

**"Disbursement Account"** has the meaning given to it in Section 9.01(21)(b).

**"Disclosure Letter"** means the written letter delivered by the Borrower (for itself and on behalf of the other Restricted Parties) on the date hereof.

**"Disposition"** means, with respect to a Person, any sale, assignment, transfer, conveyance, lease, licence or other disposition of any nature or kind whatsoever of any Property or of any right, title or interest in or to any Property that is out of the ordinary course of business of such Person, and the verb **"Dispose"** has a corresponding meaning.

**"Distribution"** means (i) any payment, declaration of dividend or other distribution, whether in cash or Property, (but expressly excluding any distribution by way of the payment of dividends by the issuance of equity securities of an issuer) to any holder of shares of any class of the Borrower or any other Restricted Party, or (ii) any repurchase, redemption, retraction or other retirement or purchase for cancellation of shares of the Borrower or any other Restricted Party, or of any options, warrants or other rights to acquire any of such shares.

**"EEA Financial Institution"** means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

**"EEA Member Country"** means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

**"EEA Resolution Authority"** means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

**"Encumbrance"** means, with respect to any Person, any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, hypothecation or security interest granted or permitted by such Person or arising by operation of law, in respect of any of such Person's Property, or any consignment by way of security or Capital Lease of Property by such Person as consignee or lessee,



as the case may be, or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or other obligation, and "**Encumbrances**", "**Encumbrancer**", "**Encumber**" and "**Encumbered**" have corresponding meanings.

"**Energy Regulator**" means (a) with respect to the Province of Alberta, the Alberta Energy Regulator, (b) with respect to the Province of British Columbia, the BC Oil and Gas Commission, (c) with respect to the Province of Saskatchewan, the Saskatchewan Ministry of Energy and Resources, and (d) with respect to any other Applicable LMR Jurisdiction, the regulatory body with responsibility for the oversight of environmental matters in the oil and gas industry in such jurisdiction; and in each case, together with any successor or replacement agency, department, ministry or commission thereto.

"**Engineering Report**" means a report (in form and substance satisfactory to the Administrative Agent (on behalf of the Lenders), acting reasonably) prepared by the Independent Engineer respecting the reserves of Petroleum Substances attributable to the assets and undertakings of the Restricted Parties, which report shall, as of the effective date of such report, set forth, *inter alia*, (a) the proved, developed producing reserves of Petroleum Substances, (b) proved, developed nonproducing reserves of Petroleum Substances, (c) proved and undeveloped reserves of Petroleum Substances, and (d) the probable reserves of Petroleum Substances, in each case, attributable to the assets and undertakings of the Restricted Parties and, for each 12 month period ending on the date of such report: anticipated rates of production, depletion and reinjection of Petroleum Substances; Crown, freehold and overriding royalties and freehold mineral taxes with respect to Petroleum Substances produced from or attributable to such assets and undertakings; production, revenue, value-added, wellhead or severance Taxes with respect to Petroleum Substances produced from or attributable to such assets and undertakings; operating costs; gathering, transporting, processing, marketing and storage fees payable with respect to Petroleum Substances produced from or attributable to such assets and undertakings; capital expenditures expected to be necessary to achieve anticipated rates of production; asset retirement obligations attributable to such assets and undertakings; and net cash flow with respect to such assets and undertakings, including all revenues, expenses and expenditures described above.

"**Environmental Certificate**" means a certificate required pursuant to Section 9.03(3) or 9.03(4), as the case may be, substantially in the form attached as Schedule 1.01(B), signed by any one of the Chief Executive Officer or the Vice President of the Borrower.

"**Environmental Law**" means any Applicable Law relating to the environment including those pertaining to:

- (i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and
- (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

"**Equity**" means, with respect to any Person at any time, the aggregate of all common, preferred and other share capital (other than all shares of, or partnership units in, the Person that are redeemable or retractable at the option of any Person (other than the Person in respect of whom a

determination of the Equity of such Person is being made)) in, and all warrants of, that Person that would be reflected as equity on the balance sheet of that Person at that time, together with retained earnings and contributed surplus of that Person, that would be reflected on the balance sheet of that Person at that time.

**"Equivalent Amount"** means, on any day, the equivalent amount in Canadian Dollars or United States Dollars, as the case may be, after giving effect to a conversion of a specified amount of United States Dollars to Canadian Dollars or of Canadian Dollars to United States Dollars, as the case may be, at the Spot Rate for the day in question for the conversion of United States Dollars to Canadian Dollars or at the rate that is the reciprocal thereof for the conversion of Canadian Dollars to United States Dollars, as the case may be, or, if such rate is not so published by the Bank of Canada for any such day, then at the spot rate quoted by the Administrative Agent at approximately noon (Toronto time) on that day in accordance with its normal practice for the applicable currency conversion in the wholesale market.

**"EU Bail-In Legislation Schedule"** means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

**"Event of Default"** has the meaning set out in Section 11.01.

**"Excluded Taxes"** means, with respect to the Secured Parties, (i) taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which its lending office is located, and (ii) any branch profits taxes or any similar tax imposed by any jurisdiction in which a Secured Party is located.

**"Existing BNS Blocked Account Agreement"** means the blocked account agreement dated as of January 25, 2019 between The Bank of Nova Scotia, as account bank, the Borrower, as borrower, and China Construction Bank Toronto Branch, as lender, in respect of the Existing Credit Agreement.

**"Existing Credit Agreement"** means the credit agreement made as of January 31, 2017 between the Borrower, Calgary Sinoenergy and CCB Toronto, as amended by a waiver and first amending agreement made effective as of November 15, 2018 and a waiver and second amending agreement made effective as of November 30, 2018, as so amended and as further amended, supplemented or otherwise modified to the date hereof.

**"FCPA"** means the United States Foreign Corrupt Practices Act of 1977, including any subordinate legislation thereunder.

**"Fee Letter"** has the meaning attributed to it in Section 3.01(n).

**"Final Maturity Date"** means December 9, 2023, as such date may be extended from time to time pursuant to Section 2.02.

**"Financial Assistance"** means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of or having the effect of providing financial assistance to another Person or Persons, including letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection therewith, endorsements of bills of exchange (other than for collection or deposit in

the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery thereof and obligations to make advances or otherwise provide financial assistance to any other Person.

**"Fiscal Quarter"** means any fiscal quarter of the Borrower.

**"GAAP"** means those accounting principles that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute.

**"Governmental Authority"** means the government of Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, the Superintendent of Financial Institutions or other comparable authority or agency.

**"Guarantor"** means, as at the Closing Date, Calgary Sinoenergy, and thereafter, each Subsidiary of the Borrower who becomes a party hereto pursuant to and in accordance with Section 9.04(18).

**"H. Corp."** means Henenghaixin Corp. and its successors and assigns.

**"H. Corp. Claim"** means the statement of claim filed on February 28, 2020 by H. Corp. against, *inter alia*, the Borrower and Calgary Sinoenergy, as amended, supplemented, varied or otherwise modified from time to time.

**"H. Corp. Injunction"** means the attachment order/mareva injunction issued by the Court of Queens' Bench of Alberta on April 23, 2020 in connection with the H. Corp. Claim, as amended, supplemented, varied or otherwise modified from time to time,

**"Hazardous Substance"** means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws, including pollutants, contaminants, dangerous goods or substances, toxic or hazardous substances or materials, wastes (including solid non-hazardous wastes and subject wastes), petroleum and its derivatives and by-products and other hydrocarbons, all as defined in or pursuant to any Environmental Law.

**"Hedge Arrangement"** means, with respect to any Person, any arrangement or transaction between such Person and any other Person other than another Restricted Party that is a rate swap transaction, basis swap, forward rate transaction, commodity swap, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations.

**"Indemnified Taxes"** means Taxes other than Excluded Taxes.

**"Independent Engineer"** means such firm or firms of independent engineers as may be selected from time to time by the Borrower and approved by the Administrative Agent (on behalf of the

Lenders), acting reasonably.

**"Intellectual Property"** means any and all intellectual and industrial property, whether recorded or not and regardless of form or method of recording, including all works in which copyright subsists or may subsist (such as computer software), data bases (whether or not protected by copyright), designs, documentation, manuals, specifications, industrial designs, trade secrets, confidential information, ideas, concepts, know-how, trade marks, service marks, trade names, domain names, discoveries, inventions, formulae, recipes, product formulations, processes and processing methods, technology and techniques, improvements and modifications, integrated circuit topographies and mask works.

**"Intellectual Property Rights"** includes all intellectual and industrial and other proprietary rights in any Intellectual Property.

**"Intercreditor Obligations"** means, collectively, the Obligations, the "Obligations" (as defined under the CCB Toronto Credit Agreement) and the SBLC Obligations.

**"Intercreditor Parties"** means, collectively, the Secured Parties, CCB Toronto, the SBLC Providers and the Parent Creditors.

**"Interest Payment Date"** means, with respect to each CDOR Loan, initially October 28, 2021 and thereafter October 31 of each year commencing 2022; provided that if the Interest Payment Date is not a Business Day, it will be the immediately prior Business Day.

**"Interest Period"** means in connection with a CDOR Loan, an interest period (i) initially, commencing on October 28, 2020 and ending on October 28, 2021; (ii) secondly, commencing on October 28, 2021 and ending on October 31, 2022 and (iii) thereafter, a period of twelve months commencing on the day on which the immediately preceding Interest Period expires; provided that in any case the last day of each Interest Period will be also the first day of the next Interest Period, and further provided that the last Interest Period hereunder must expire on or prior to the Final Maturity Date.

**"Judgment Conversion Date"** has the meaning set out in Section 14.03(1).

**"Judgment Currency"** has the meaning set out in Section 14.03(1).

**"Lenders"** has the meaning set out in the preamble hereto.

**"Lenders' Consultant"** means any petroleum engineering consulting firm acting on behalf of the Administrative Agent and the Lenders from time to time and initially shall be Sproule Associates Limited.

**"Lenders' Counsel"** means such legal counsel as the Administrative Agent and the Lenders may from time to time designate.

**"Lending Office"** means the office of the Administrative Agent located at 3650-181 Bay Street, Toronto, Ontario M5J 2T3, or at such other office as the Administrative Agent may designate in writing.

**"LMR"** means, with respect to the Borrower or any other Restricted Party, for any Applicable LMR Jurisdiction, the liability management rating (or successor or equivalent) established by the applicable Energy Regulator with respect to the abandonment and reclamation policies, regulations and directives of such Energy Regulator in such jurisdiction, in each case, as determined in accordance with Applicable Law (including the rules and regulations of such Energy Regulator in respect thereof for the then relevant period) as calculated and published publicly by such Energy Regulator, and as adjusted to remove any security, cash, letters of credit or other security deposits or credit.

**"Loan"** means any extension of credit by a Lender under this Agreement.

**"Loan Documents"** means (a) this Agreement, (b) the Collateral Agent and Intercreditor Agreement, (c) the other Security, (d) the Fee Letter and (e) all present and future agreements, documents, certificates and instruments delivered by any Restricted Party to the Secured Parties pursuant to or in respect of this Agreement or the Security, in each case as the same may from time to time be amended, and **"Loan Document"** means any one of the Loan Documents.

**"Material Adverse Change"** or **"Material Adverse Effect"** means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower to pay its Obligations, or perform any of its other material obligations under the Loan Documents, or (c) the legality, validity or enforceability of any of the Loan Documents or the rights or remedies of the Secured Parties thereunder.

**"Material Licences"** means all licences, permits or approvals issued by any Governmental Authority, or any applicable stock exchange or securities commission, to any Restricted Party, and which are at any time on or after the date of this Agreement,

- (i) necessary or material to the business and operations of such Restricted Party or to the listing of its securities, the breach or default of which would result in a Material Adverse Change, or
- (ii) designated by the Administrative Agent and the Lenders, in their sole discretion, as a Material Licence, provided that the Administrative Agent (on behalf of the Lenders) has notified the Borrower of such designation.

**"Net Proceeds"** means, with respect to any Disposition (other than the Dispositions described in paragraphs (i) and (iii) of the definition of "Permitted Disposition"), the aggregate fair market value of proceeds of such Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, bona fide direct transaction costs and expenses incurred in connection with such Disposition, including (i) reasonable legal fees and disbursements, the customary fees of agents or brokers payable in connection with such Disposition within one year of such Disposition and title and recording expenses payable in connection with such Disposition, and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Debt that is secured by a Permitted Encumbrance, if any, on any of the Property that is the subject matter of such Disposition ranking in priority to

the Encumbrance of the Security and that is required to be repaid under the terms of such Debt as a result of such Disposition.

**"Obligations"** means, collectively, (a) all obligations of the Restricted Parties, or any of them, to the Secured Parties under or in connection with this Agreement or the other Loan Documents, including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Restricted Parties, or any of them, to the Secured Parties and (b) any other obligations or amounts remaining unpaid by the Restricted Parties, or any of them, to the Secured Parties, under or in connection with this Agreement or the other Loan Documents, whether arising from dealings between the Secured Parties and any of the Restricted Parties or from any other dealings or proceedings by which a Secured Party may be or become in any manner whatever a creditor of a Restricted Party pursuant to this Agreement or the other Loan Documents, in each case, in any currency and wherever incurred, and whether incurred by a Restricted Party alone or with another or others and whether as principal or surety, and all interest, fees, legal and other costs, charges and expenses relating thereto.

**"OFAC"** means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

**"Organizational Documents"** means, with respect to any Person, such Person's articles, memorandum or other charter documents, partnership agreement, joint venture agreement, declaration of trust, trust agreement, by-laws, unanimous shareholder agreement, or any and all other similar agreements, documents and instruments pursuant to which such Person is constituted, organized or governed.

**"Other Taxes"** means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

**"Parent"** means Qingdao Sinoenergy Co. Ltd. and its successors and assigns.

**"Parent Credit Agreement"** means the guarantee syndicate contract dated January 23, 2017 among the Parent, as applicant, CCB Qingdao Branch, as lead bank, BOC Qingdao Branch, as co-lead bank, CCB Qingdao Sifang Sub-branch and BOC Qingdao High-tech Industrial Park Sub-branch, as guarantee providers, and, as agent bank, as amended, supplemented or otherwise modified from time to time.

**"Parent Creditors"** means, collectively, CCB Qingdao Branch, as lead bank, BOC Qingdao Branch, as co-lead bank, and CCB Qingdao Sifang Sub-branch, BOC Qingdao High-tech Industrial Park Sub-branch, as guarantee providers, and CCB Qingdao Sifang Sub-branch, as agent bank, in each case under the Parent Credit Agreement, and their respective successors and assigns.

**"Parent Creditor Indemnity"** means, the indemnity and agreement made effective as of the date hereof from the Restricted Parties in favour of the Parent Creditors whereby, *inter alia*, the Restricted Parties agree to indemnify and reimburse the Parent Creditors for any breach by the Parent to fulfill its obligations under the Parent Credit Agreement to pay or reimburse the Parent Creditors for any claim made in respect of either or both SBLCs, as amended, supplemented or otherwise modified from time to time.

**"Participant"** has the meaning set out in Section 14.07(1).

**"Pension Plan"** means (i) a "pension plan" or "plan" which is a "registered pension plan" as defined in the *Income Tax Act* (Canada) or is subject to the funding requirements of applicable pension benefits legislation in any Canadian jurisdiction and is applicable to employees resident in Canada of a Restricted Party, or (ii) any other pension benefit plan or similar arrangement applicable to employees of a Restricted Party.

**"Permitted Contest"** means action taken by or on behalf of a Restricted Party in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Encumbrance, provided that:

- (a) the Person to which the Tax, claim or Encumbrance being contested is relevant (and, in the case of a Restricted Party, the Borrower on a consolidated basis) has established adequate reserves therefor if and to the extent required by GAAP; and
- (b) proceeding with such contest does not have, and could not reasonably be expected to have, a Material Adverse Effect.

**"Permitted Debt"** means:

- (i) Debt under this Agreement or any of the Loan Documents;
- (ii) any other Debt of a Restricted Party other than Calgary Sinoenergy secured by Permitted Encumbrances;
- (iii) Debt in respect of Capital Leases granted by a Restricted Party other than Calgary Sinoenergy in existence as of the date hereof;
- (iv) Deeply Subordinated Loans;
- (v) any Debt in respect of the Convertible Debentures; and
- (vi) any Debt in respect of the SBLCs or the CCB Toronto Credit Agreement.

**"Permitted Disposition"** means, in respect of a Person, any of the following:

- (i) a Disposition of current, in transit or stored production from petroleum and natural gas properties made in the ordinary course of business;
- (ii) the abandonment, surrender or termination of any petroleum and natural gas rights in respect thereto in the ordinary course of business and in accordance with sound industry practice;
- (iii) a Disposition of Property that is worn-out, obsolete or no longer useful for the purpose of carrying on the Borrower's business, not to exceed Cdn.\$2,000,000 in aggregate in each fiscal year; and
- (iv) a Disposition of petroleum and natural gas properties (and related tangibles) resulting from any mandatory pooling or unit arrangement in accordance with Applicable Law or farmout

agreement entered into prior to the date hereof.

**"Permitted Encumbrances"** means, with respect to any Person, the following:

- (i) undetermined or inchoate Encumbrances arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to any Applicable Law against any Restricted Party or in respect of which no steps or proceedings to enforce such Encumbrance have been initiated or which relate to obligations which are not due or delinquent or if due or delinquent, any Encumbrance which a Restricted Party is contesting at the time by a Permitted Contest;
- (ii) Encumbrances 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 Encumbrances relate for any Restricted 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 Encumbrance which a Restricted Party is contesting at the time by a Permitted Contest;
- (iii) to the extent an Encumbrance 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 Restricted 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 Restricted 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;
- (iv) to the extent an Encumbrance is created thereby, farmout interests or overriding royalty interests, net profit interests, reversionary interests and carried interests in respect of any Restricted 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;
- (v) Encumbrances for penalties arising under non-participation provisions of operating agreements in respect of any Restricted Party's P&NG Rights or any related facilities, if such Encumbrances could not reasonably be expected to have a Material Adverse Effect;
- (vi) 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;



- (vii) any Encumbrance or trust arising in connection with worker's compensation, employment insurance, pension and employment Requirement of Law, and if due or delinquent, the validity of which is contested at the time by a Permitted Contest;
- (viii) 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;
- (ix) 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;
- (x) 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;
- (xi) public and statutory Encumbrances not yet due and similar Encumbrances arising by operation of law;
- (xii) the Security;
- (xiii) Encumbrances 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;
- (xiv) Encumbrances under or pursuant to any judgment rendered, or claim filed, against a Restricted Party, which such Restricted Party is contesting at the time by a Permitted Contest;
- (xv) Encumbrances 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 Restricted 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 Restricted Parties, taken as a whole;
- (xvi) bankers' liens, rights of set-off and other similar Encumbrances existing solely with respect to cash on deposit in one or more accounts maintained by the Restricted Parties, in each case, granted in the ordinary course of business in favour of the Secured Parties with which such accounts are maintained, securing amounts owing to the Secured Parties with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements;
- (xvii) 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 Restricted Party is a party;

- (xviii) Encumbrances in favour of a landlord of leased property in respect of the leasehold improvements made to, and other personal property of the tenant located on, such leased real property;
- (xix) any other Encumbrances (including Purchase Money Security Interest, Capital Leases, security for Hedge Arrangements, and sale-leasebacks) which are not otherwise Permitted Encumbrances; provided that the aggregate principal amount of Debt or other obligations secured thereby is agreed to by the Administrative Agent and the Lenders, such agreement not to be unreasonably withheld;
- (xx) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Encumbrance referred to in the preceding paragraphs (i) to (x) inclusive of this definition, so long as any such extension, renewal or replacement of such Encumbrance is limited to all or any part of the same property that secured the Encumbrance extended, renewed or replaced (plus improvements on such property) and the Debt, liability or obligation secured thereby is not increased;
- (xxi) any Encumbrance described in the Disclosure Letter;
- (xxii) any Encumbrance in respect of the Deeply Subordinated Loans or any Convertible Debenture held by Calgary Sinoenergy;
- (xxiii) any Encumbrance in respect of Capital Leases permitted under paragraph (iii) of the definition of Permitted Debt;
- (xxiv) any Encumbrance in favour of the Collateral Agent, CCB Toronto or any SBLC Provider in respect of the CCB Toronto Credit Agreement and/or the SBLCs, as applicable; and
- (xxv) such other Encumbrances as are agreed to in writing by the Administrative Agent and the Lenders;

provided that subsections (xvi) through (xix), above shall be subject to a maximum aggregate amount of Cdn \$2,000,000.

**"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other 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 Leases"** means, collectively, any and all documents of title including leases, reservations, permits, licences, unit agreements, assignments, trust declarations, participation, exploration, farm-out, farm-in, royalty, purchase or other agreements by virtue of which the Borrower or any Restricted Party is entitled to explore for, drill for, recover, take or produce Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Borrower or any Restricted Party (as applicable), or to share in the production or proceeds of production or any part thereof or proceeds of royalty, production, profits or other interests out of, referable to or payable

in respect of Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Borrower or any Restricted Party (as applicable), and the rights of the Borrower or Restricted Party (as applicable) thereunder.

**"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 Restricted Party at such time in and to any, or such as are stipulated, of the following, by whatever name the same are known:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) rights of any Restricted 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
- (v) rights to acquire any of the above rights described in paragraphs (i) through (iv) 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.

**"Property"** means, with respect to any Person, all or any portion of that Person's undertaking and property, both real and personal.

**"Purchase Money Security Interest"** means an Encumbrance created or incurred by a Restricted Party securing Debt incurred to finance the acquisition of Property (including the cost of installation thereof), provided that (i) such Encumbrance is created substantially simultaneously with the acquisition of such Property, (ii) such Encumbrance does not at any time encumber any Property other than the Property financed by such Debt, (iii) the amount of Debt secured thereby is not increased subsequent to such acquisition, and (iv) the principal amount of Debt secured by any such Encumbrance at no time exceeds 100% of the original purchase price of such Property and the cost of installation thereof, and for the purposes of this definition the term "acquisition" includes a Capital Lease.

**"Related Parties"** means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person or of such Person's Affiliates.

**"Release"** means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

**"Relevant Jurisdiction"** means, from time to time, with respect to a Person that is granting Security hereunder, any province or territory of Canada, any state of the United States or any other country or political subdivision thereof in which such Person has its chief executive office or chief place of business, has Property or carries on business and, for greater certainty, includes the provinces and states set out in Schedule 1.01(F).

**"Repayment Notice"** means the notice substantially in the form set out in Schedule 1.01(G).

**"Requirements of Environmental Law"** means all requirements of the common law or of statutes, regulations, by-laws, ordinances, treaties, judgments and decrees, and (to the extent that they have the force of law) rules, policies, guidelines, orders, approvals, notices, permits, directives, and the like, of any federal, territorial, provincial, state, regional, municipal or local judicial, regulatory or administrative agency, board or governmental authority in Canada, the United States and any other jurisdiction in which any Restricted Party has operations or assets relating to environmental or occupational health and safety matters (as they relate to exposure to a Hazardous Substance) and the assets and undertaking of any Restricted Party and the intended uses thereof in connection with such matters, including all such requirements relating to: (a) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater); (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (c) consumer, occupational or public safety and health (as they relate to exposure to a Hazardous Substance); and (d) Hazardous Substances or conditions (matters that are prohibited, controlled or otherwise regulated, such as contaminants, pollutants, toxic substances, dangerous goods, wastes, hazardous wastes, liquid industrial wastes, hazardous materials, petroleum and other materials such as urea formaldehyde and polyurethane foam insulation, asbestos or asbestos-containing materials, polychlorinated biphenyls (PCBs) or PCB contaminated fluids or equipment, lead based paint, explosives, radioactive substances, petroleum and associated products, above ground and underground storage tanks or surface impoundments).

**"Requirements of Law"** means, with respect to any Person, the Organizational Documents of such Person and any Applicable Law or any determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its business or Property or to which such Person or any of its business or Property is subject.

**"Resolution Authority"** means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

**"Restricted Parties"** means the Borrower, the Guarantors and any person that hereafter becomes a Subsidiary of the Borrower, and their respective successors and assigns permitted by this Agreement, and **"Restricted Party"** means any one of them.

**"Rollover"** means the extension of a CDOR Loan for an additional Interest Period.

**"Sanctions"** means the economic sanctions laws, regulations, embargoes or restrictive measures

administered, enacted or enforced by any Sanctions Authority, including any sanctions or requirements imposed by, or based upon the obligations or authorities set forth in, the *Special Economic Measures Act* (Canada), the *United Nations Act* (Canada), the *Criminal Code* (Canada), the *Freezing of Assets of Corrupt Foreign Officials Act* (Canada), the *Executive Order*, the *U.S. Bank Secrecy Act* (31 U.S.C. §§ 5311 et seq.), the *U.S. Money Laundering Control Act of 1986* (18 U.S.C. §§ 1956 et seq.), the *USA Patriot Act of 2001*, the *U.S. International Emergency Economic Powers Act* (50 U.S.C. §§ 1701 et seq.), the *U.S. Trading with the Enemy Act* (50 U.S.C. App. §§ 1 et seq.), the *U.S. United Nations Participation Act*, the *U.S. Syria Accountability and Lebanese Sovereignty Act*, the *U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010* or the *Iran Sanctions Act* (United States), or any of the foreign assets control regulations of the U.S. Department of the Treasury (including but not limited to 31 CFR, Subtitle B, Chapter V) or any other law or executive order relating thereto or regulation administered by OFAC.

**"Sanctions Authority"** means any of: (a) the Canadian government; (b) the United States government; (c) the United Nations; (d) the European Union; (e) the United Kingdom; or (f) the respective governmental institutions, departments and agencies of any of the foregoing, including Global Affairs Canada, Public Safety Canada, OFAC, the United States Department of State, and Her Majesty's Treasury of the United Kingdom; "Sanctions Authorities" means all of the foregoing Sanctions Authorities, collectively.

**"Sanctions List"** means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by Her Majesty's Treasury of the United Kingdom, or any substantially similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

**"Sanctioned Person"** means:

- (i) a Person that is designated under, listed on, or owned or controlled by a Person designated under or listed on, or, to the knowledge of a Restricted Party (after due inquiry to the extent required by Applicable Law), acting on behalf of a Person designated under or listed on, any Sanctions List;
- (ii) a Person that is located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or, to the knowledge of a Restricted Party (after due inquiry to the extent required by Applicable Law), acting on behalf of, a Person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions;
- (iii) a Person that is otherwise a target of Sanctions ("target of Sanctions" signifying a Person with whom a Person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities); or
- (iv) any other Person to which the Administrative Agent or the Lenders would not be permitted to make a loan, or provide funding, in accordance with the Sanctions, or otherwise deal with pursuant to the Sanctions.

**"SBLCs"** means, collectively, the CCB SBLC and the BOC SBLC.

"**SBLC Indemnities**" means, collectively, the Parent Creditor Indemnity, the CCB SBLC Indemnity and the BOC SBLC Indemnity.

"**SBLC Obligations**" means, collectively:

- (a) the obligation of the Restricted Parties to reimburse and/or indemnify the SBLC Providers, including pursuant to the SBLC Indemnities, for any payment made by such SBLC Provider under or in respect of the applicable SBLC (including, without limitation (i) all amounts paid from time to time by such SBLC Provider pursuant to the applicable SBLC and (ii) all amounts owing under the SBLC Indemnities);
- (b) the obligation of the Restricted Parties to indemnify and/or reimburse the Parent Creditors, including pursuant to the Parent Creditor Indemnity, for any breach by the Parent to fulfill its obligations under the Parent Credit Agreement to pay or reimburse the Parent Creditors (or any of them) for any claim made in respect of either or both SBLCs; and
- (c) any other obligations or amounts remaining unpaid by the Restricted Parties, or any of them, to the SBLC Providers or the Parent Creditors, under or in connection with SBLCs or Parent Credit Agreement, whether arising from dealings between the SBLC Providers, Parent Creditors and any of the Restricted Parties or from any other dealings or proceedings by which the SBLC Providers or Parent Creditors may be or become in any manner whatsoever a creditor of a Restricted Party pursuant to or in connection with the SBLCs, in each case, in any currency and wherever incurred, and whether incurred by a Restricted Party alone or with another or others and whether as principal or surety, and all interest, fees, legal and other costs, charges and expenses relating thereto.

"**SBLC Providers**" means, collectively, the CCB SBLC Provider and the BOC SBLC Provider.

"**Secured Parties**" means, collectively, the Administrative Agent, the Collateral Agent and the Lenders.

"**Security**" means the documents creating an Encumbrance in favour of, or any collateral held from time to time by, the Intercreditor Parties securing or intended to secure repayment of the Intercreditor Obligations, including all security described in Article 10.

"**Spot Rate**" means the daily average exchange rate quoted by the Bank of Canada at approximately the close of business on the Business Day immediately preceding the date of determination; provided that, if such daily average exchange rate is for any reason unavailable, it shall mean the spot rate of exchange for wholesale transactions quoted by the Administrative Agent at approximately noon (Toronto time) on such date in accordance with its usual practice or, if such date of determination is not a Business Day, on the Business Day immediately preceding such date of determination.

"**Subsidiary**" means, at any time, with respect to any Person, any other Person, if at such time the first mentioned Person (i) owns, directly or indirectly, securities or other ownership interests in such other Person, having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such other Person, and (ii) directly or indirectly, through the operation of any agreement or otherwise, the ability to elect or cause the election of a majority

of the board of directors or other persons performing similar functions for such other Person or otherwise exercise control over the management and policies of such other Person, and in either case will include any other Person in like relationship to a Subsidiary of such first mentioned Person.

**"Taxes"** means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**"Total Interest Expense"** means, with respect to any Person for any period, without duplication, the aggregate amount of interest and other financing charges expensed by such Person on account of such period with respect to Debt, including interest, discount financing fees, commissions, discounts, the interest or time value of money component of costs related to factoring or securitizing receivables or monetizing inventory and other fees and charges payable with respect to letters of credit, letters of guarantee and bankers' acceptance financing, standby fees, the interest component of Capital Leases and net payments (if any) pursuant to Hedge Arrangements involving interest, but excluding any amount, such as amortization of debt discount and expenses, that would qualify as Depreciation Expense and the amount reflected in Consolidated Net Income for such period in respect of gains (or losses) attributable to translation of Debt from one currency to another currency, all as determined on a consolidated basis in accordance with GAAP.

**"UK Bribery Act"** means the United Kingdom Bribery Act 2010, including any subordinate legislation thereunder.

**"UK Financial Institution"** means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any Person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain Affiliates of such credit institutions or investment firms.

**"UK Resolution Authority"** means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

**"Write-Down and Conversion Powers"** means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable UK Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that Person or any other Person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.02 **Extended Meanings**

In this Agreement words importing the singular number include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing" and the term "third party" means any person other than a person a party to this Agreement. Any reference herein or in any other Loan Document to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated, replaced or re-enacted from time to time.

1.03 **Accounting Principles**

All calculations for the purposes of determining compliance with the financial ratios and financial covenants contained in this Agreement will be made on a basis consistent with GAAP as it exists on the date of this Agreement and used in the preparation of the consolidated financial statements of the Borrower for its financial year ended December 31, 2019. In the event of a change in such GAAP, the Borrower and the Administrative Agent (on behalf of the Lenders) will negotiate in good faith to revise (if appropriate) such ratios and covenants to reflect GAAP as then in effect.

1.04 **Interest Calculations and Payments**

Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest "*per annum*" or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation and not the effective rate method of calculation or on any other basis that gives effect to the principle of deemed reinvestment of interest. Interest will continue to accrue after maturity and default and/or judgment, if any, until payment thereof, and interest will accrue on overdue interest, if any.

1.05 **Interest Act (Canada)**

- (a) For the purposes of this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other number of days in such period, as the case may be.
- (b) **THE BORROWER AND EACH OTHER RESTRICTED PARTY ACKNOWLEDGES AND CONFIRMS THAT: (A) THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, SECTION 1.04, THIS SECTION 1.05 AND ARTICLE 4 HEREOF AND THE CONSTITUENT DEFINITIONS HEREIN AND UNDER THE OTHER LOAN DOCUMENTS RELATING TO INTEREST AND OTHER AMOUNTS PAYABLE HEREUNDER AND THEREUNDER, SATISFIES THE REQUIREMENTS OF SECTION 4 OF**



**THE *INTEREST ACT* (CANADA) TO THE EXTENT THAT SECTION 4 OF THE *INTEREST ACT* (CANADA) APPLIES TO THE EXPRESSION, STATEMENT OR CALCULATION OF ANY RATE OF INTEREST OR OTHER RATE PER ANNUM HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT; AND (B) THE BORROWER AND EACH OTHER RESTRICTED PARTY AND THE THEIR RESPECTIVE SUBSIDIARIES ARE EACH ABLE TO CALCULATE THE YEARLY RATE OR PERCENTAGE OF INTEREST PAYABLE UNDER ANY LOAN DOCUMENT BASED ON THE METHODOLOGY SET OUT HEREIN AND UNDER THE OTHER LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, SECTION 1.04, THIS SECTION 1.05 AND ARTICLE 4 HEREOF AND THE CONSTITUENT DEFINITIONS HEREIN AND UNDER THE OTHER LOAN DOCUMENTS RELATING TO INTEREST AND OTHER AMOUNTS PAYABLE HEREUNDER AND THEREUNDER.**

- (c) **THE BORROWER AND EACH OTHER RESTRICTED PARTY HEREBY IRREVOCABLY AGREE NOT TO, AND AGREES TO CAUSE EACH OF THEIR RESPECTIVE SUBSIDIARIES NOT TO, PLEAD OR ASSERT, WHETHER BY WAY OF DEFENCE OR OTHERWISE, IN ANY PROCEEDING RELATING TO THE LOAN DOCUMENTS, THAT THE INTEREST PAYABLE UNDER THE LOAN DOCUMENTS AND THE CALCULATION THEREOF HAS NOT BEEN ADEQUATELY DISCLOSED TO THE BORROWER, EACH OTHER RESTRICTED PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES, WHETHER PURSUANT TO SECTION 4 OF THE *INTEREST ACT* (CANADA) OR ANY OTHER APPLICABLE LAW OR LEGAL PRINCIPLE.**

1.06 **Permitted Encumbrances**

The inclusion of reference to Permitted Encumbrances in any Loan Document is not intended to subordinate and will not subordinate, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.07 **Currency**

Unless otherwise specified in this Agreement, all references to currency (without further description) are to lawful money of Canada.

1.08 **Conflicts**

In the event of a conflict between the provisions of this Agreement and the provisions of any other Loan Document, then, unless such Loan Document or an acknowledgement from the Restricted Party and the Administrative Agent (on behalf of the Lenders) relative to such Loan Document expressly states that this Section 1.08 is not applicable to such Loan Document, notwithstanding anything else contained in such other Loan Document, the provisions of this Agreement will prevail and the provisions of such other Loan Document will be deemed to be amended to the extent necessary to eliminate such conflict.

1.09 **[Reserved]**

1.10 **Schedules**

The following are the Schedules attached hereto and incorporated by reference and deemed to be part hereof:

Schedule A	-	Commitments
Schedule B	-	Deeply Subordinated Loans and Convertible Debentures
Schedule C	-	Form of Subordination Agreement
Schedule 1.01(A)	-	Compliance Certificate
Schedule 1.01(B)	-	Environmental Certificate
Schedule 1.01(F)	-	Relevant Jurisdictions
Schedule 1.01(G)	-	Repayment Notice
Schedule 8.01(17)	-	Ownership Structure
Schedule 8.01(21)	-	Intellectual Property Rights
Schedule 8.01(25)	-	Pension Plan Disclosure
Schedule 8.01(30)	-	Controlled Account Disclosure
Schedule 9.01(5)	-	Calgary Sinoenergy Business

## **ARTICLE 2 - THE CREDIT FACILITY**

2.01 **Borrower Credit Facility**

Subject to the terms and conditions of this Agreement, the Lenders hereby confirms the continuation and ongoing establishment in favour of the Borrower a non-revolving term facility, except as set forth in Section 2.05 (the "**Credit Facility**") in an amount up to Cdn. \$242,950,808.57 which facility has been fully advanced as of the Closing Date.

2.02 **Extension of the Credit Facility**

No earlier than 90 days and no later than 60 days prior to the Final Maturity Date (the unextended Final Maturity Date being referred to in Section 2.02 as, an "**Extension Date**"), the Borrower may, provided that the representations and warranties deemed to be repeated pursuant to Section 8.02 will continue to be true and correct in all material respects and no Default or Event of Default will have occurred and be continuing, or would result therefrom, deliver to the Administrative Agent a request for an extension of the Extension Date for a period of up to 365 days after the then applicable Extension Date (the "**Extension Request**"); provided that the Borrower may withdraw an Extension Request, even if the Lenders have already consented to such Extension Request, by notice in writing delivered to the Administrative Agent not later than the close of business on the third Business Day prior to the Extension Date. The Administrative Agent shall promptly notify the Lenders of its receipt of any Extension Request, with particulars thereof. Within 30 days after the Administrative Agent has notified a Lender of its receipt of an Extension Request, such Lender shall notify the Borrower and the Administrative Agent of its election to extend or not extend the Extension Date as requested in such Extension Request (which election to extend or not extend shall be made by each such Lender in its sole and absolute discretion).

Any failure by any Lender to notify the Borrower and the Administrative Agent of its election to extend or not extend the Extension Date as requested in such Extension Request shall be deemed to be a refusal to extend the Extension Date. Unless the Extension Request has been withdrawn by the Borrower in accordance with the proviso above, if all Lenders approve in writing the extension of the Extension Date requested in such Extension Request, the Extension Date shall automatically and without any further action by any Person be extended for the period specified in such Extension Request; provided that each such extension shall be for a maximum of 365 days, and the "Final Maturity Date" shall be such extended date.

2.03            **Terms of the Credit Facility**

Subject to and in accordance with Section 2.05, the Credit Facility is fully advanced as at the Closing Date and is made available solely by way of a single Canadian Dollar CDOR Loan which will automatically Rollover at the end of each Interest Period without the requirement for notice by the Borrower. Amounts repaid under the Credit Facility may not be re-borrowed.

2.04            **Purpose of Credit Facility**

Loans under the Credit Facility will only be used for the purpose of re-financing and continuing a portion of the credit facilities under the Existing Credit Agreement as follows:

- (a) Cdn.\$12,100,000 to be used to cash collateralize "Letters of Credit" under the Existing Credit Agreement and, upon its amendment and restatement, the CCB Toronto Credit Agreement; and
- (b) Cdn.\$230,850,808.57 to be allocated to the refinancing and continuation of the "Non-Revolver Term Facility" under the Existing Credit Agreement.

2.05            **Revolving Availability**

To accommodate funds flow as set out in the funds flow memorandum to be delivered prior to any funding being made, the Credit Facility will be available on a revolving basis until October 30, 2020 following which it will automatically become a term loan as set out herein and with effect (at the full amount) from the Closing Date. Revolving draws and repayments will be made solely as set out in the funds flow memorandum or as agreed to by the Lender in its sole and unfettered discretion.

2.06 **[Reserved]**

2.07 **[Reserved]**

2.08 **[Reserved]**

2.09 **[Reserved]**

2.10 **Account of Record**

(1) The Administrative Agent will open and maintain books of account in which it shall record all Loans and all other amounts owing by the Borrower to such Lender hereunder. The Administrative Agent will enter into the foregoing accounts details of the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders, and each Lender's share thereof, and all amounts from time to time owing, paid or repaid by the Borrower hereunder.

(2) The information entered in the foregoing accounts will constitute prima facie evidence of the obligations of the Borrower to the Lenders hereunder with respect to all Loans and all other amounts owing by the Borrower to such Lender hereunder. In the event of a conflict between the records maintained by the Administrative Agent and any records maintained by a Lender, the records maintained by the Administrative Agent shall govern. After a request by the Borrower, the Administrative Agent and/or each Lender, as applicable, will promptly advise the Borrower of such entries made in the Administrative Agent's and such Lender's books of account.

2.11 **CDOR Replacement**

(1) If at any time the Administrative Agent or any Lender determines (which determination shall be conclusive, absent manifest error) that:

- (a) an interest rate or discount rate is not ascertainable pursuant to the provisions of the definition of "CDOR" and the inability to ascertain such rate is unlikely to be temporary;
- (b) the regulatory supervisor for the administrator of the CDOR screen rate, the Bank of Canada, an insolvency official with jurisdiction over the administrator for CDOR, a resolution authority with jurisdiction over the administrator for the CDOR, or a court or an entity with similar insolvency or resolution authority over the administrator for CDOR, has made a public statement, or published information, stating that the administrator of CDOR, has ceased or will cease to provide CDOR, permanently or indefinitely on a specific date; provided that, at that time, there is no successor administrator that will continue to provide CDOR; or
- (c) the administrator of the CDOR screen rate or a Governmental Authority having jurisdiction over the Administrative Agent and the Lenders or the administrator of the CDOR screen rate has made a public statement identifying a specific date after which CDOR, or the CDOR screen rate shall no longer be made available, or used for determining the interest rate of loans or the discount rates for bankers'

acceptances; provided that, at that time, there is no successor administrator that will continue to provide CDOR,

(the date of determination or such specific date in the foregoing paragraphs (a) through (c), the "**CDOR Discontinuation Date**"),

then the Administrative Agent (on behalf of the Lenders) and the Borrower shall negotiate in good faith to select a replacement index rate for CDOR and make such spread adjustments thereto and other related amendments to this Agreement that shall give due consideration to the prevailing market practice for: (x) determining a rate of interest applicable to newly originated Canadian Dollar loans made in Canada at such time, and (y) transitioning existing loans from CDOR -based rates to loans bearing interest calculated with reference to the new reference index rate.

Upon an agreement being reached between the Administrative Agent (on behalf of the Lenders) and the Borrower pursuant to the immediately preceding paragraph, the parties hereto shall enter into an amendment to this Agreement that gives effect to the replacement index rate, spread adjustments and such other related amendments as may be appropriate in the discretion of the Administrative Agent for the implementation and administration of Canadian Dollar loans bearing interest calculated with reference to the replacement index rate. If at any time the replacement index rate agreed upon to replace CDOR shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

Until an amendment reflecting the transition to a new reference index rate becomes effective as contemplated by this Section, the discount rate applicable to a Rollover of a CDOR Loan shall continue to be calculated with reference to CDOR; provided that if the Administrative Agent determines (which determination shall be conclusive, absent manifest error) that a CDOR Discontinuation Date has occurred, then following the CDOR Discontinuation Date, until such time as an amending agreement adopting such a new reference index rate becomes effective as contemplated by this Section, any Rollover of a CDOR Loan shall be calculated based on CDOR as in effect on such CDOR Discontinuation Date plus the Applicable Margin.

## 2.12 Indicative Lending Value

(1) The indicative lending value shall be estimated from time to time for the Administrative Agent (on behalf of the Lenders), for internal tracking and regulatory purposes, in accordance with usual and customary lending parameters and practices in Canada as follows:

- (a) Annually. Upon receipt of an Engineering Report pursuant to Section 9.03(16), the Administrative Agent may, in its sole discretion, engage a Lenders' Consultant to advise on an indicative lending value; and
- (b) Semi-Annually. Upon receipt of an Engineering Report pursuant to Section 9.03(17), the Administrative Agent may, in its sole discretion, engage a Lenders' Consultant to advise on indicative lending value.

(2) The Borrower agrees to reimburse the Administrative Agent and the Lenders for all costs and expenses related to engagement of the Lenders' Consultant.

### **ARTICLE 3- CONDITIONS**

#### **3.01 Conditions Precedent to Effectiveness of this Agreement**

The effectiveness of this Agreement is subject to and conditional upon the prior satisfaction of the following conditions precedent:

- (a) the Administrative Agent and the Lenders will have received certified copies of the Organizational Documents of each Restricted Party, the resolutions authorizing the execution and delivery of, and performance of each Restricted Party's respective obligations under, the Loan Documents to be entered into in connection with this Agreement and the transactions contemplated herein, and a certificate as to the incumbency of the officers of the Restricted Parties executing such Loan Documents and any other documents to be provided pursuant to the provisions hereof;
- (b) except as otherwise agreed by the Administrative Agent (on behalf of the Lenders), certificates of status or comparable certificates for the jurisdiction of formation of each Restricted Party will have been delivered to the Administrative Agent (on behalf of the Lenders);
- (c) the Administrative Agent and the Lenders will have completed their due diligence with respect to the Restricted Parties, including a review of the most recent financial statements of the Restricted Parties; the results of such due diligence will be satisfactory to the Administrative Agent and the Lenders in their sole discretion;
- (d) except as otherwise agreed by the Administrative Agent (on behalf of the Lenders), the Administrative Agent (on behalf of the Lenders) will have received certified copies of all shareholder, regulatory, governmental and other approvals required in order for the Restricted Parties to enter into this Agreement (and the other Loan Documents) and to perform their obligations hereunder and thereunder;
- (e) the Administrative Agent and the Lenders will have received payment of all fees and expenses payable to them that are due and payable at such time (including, for certainty, all legal fees and expenses of Lenders' Counsel);
- (f) duly executed copies of the Security will have been delivered to the Collateral Agent, certificates representing all shares or other securities pledged (along with stock powers duly executed in blank) by the Restricted Parties will have been delivered to the Collateral Agent and, other than as agreed to in writing by the Collateral Agent, all such Security will have been duly registered, filed and recorded in all Relevant Jurisdictions where required by Applicable Law or where the Collateral Agent considers it necessary, in its sole discretion, to do so; provided that the Restricted Parties shall register, file and/or record (or cause to be registered, filed and/or recorded), in all Relevant Jurisdictions where required by Applicable Law or where the Collateral Agent considers it necessary, in its sole discretion, fixed charges in respect of the demand debentures contemplated in Sections 10.01(a) and 10.01(b) as soon as practicable, but in any event within 90 calendar

days after the Closing Date, failure of which shall constitute an automatic Event of Default hereunder;

- (g) a currently dated letter of opinion of Borrower's Counsel and other counsels of Borrower as may be necessary as to such matters and in such form as Lenders' Counsel deems appropriate addressed to the Lender and to Lenders' Counsel will have been delivered to the Administrative Agent and the Lenders;
- (h) a currently dated letter of opinion of Lenders' Counsel as to such matters as the Administrative Agent may stipulate addressed to the Administrative Agent and the Lenders will have been delivered to the Administrative Agent and the Lenders;
- (i) the Restricted Parties will have delivered to the Administrative Agent and the Collateral Agent certificates of insurance acceptable to the Administrative Agent and the Collateral Agent showing the Collateral Agent as a loss payee as its interest may appear and additional insured, with a standard mortgage clause endorsement, on all insurance policies that insure the assets to be secured by the Security;
- (j) the Administrative Agent and the Lenders will have received (i) satisfactory audited consolidated financial statements of the Borrower for the two most recent fiscal years ended prior to the Closing Date to the extent available; (ii) satisfactory unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to subclause (i) of this paragraph to the extent available; and (iii) a officer's certificate in respect of title;
- (k) **[Reserved]**
- (l) the Administrative Agent shall have received a funds flow memorandum and direction to pay from the Borrower in respect of the CCB Toronto Credit Agreement and fees and expenses in connection with this Agreement and the CCB Toronto Credit Agreement (including legal fees and expenses);
- (m) the Administrative Agent shall have received a certified copy of (i) the filed consent order in respect of the H. Corp. Injunction executed by the Borrower (or counsel on its behalf), H. Corp. (or counsel on its behalf) and Justice Romaine permitting the transactions contemplated hereby (including, for certainty, the CCB Toronto Credit Agreement) and (ii) any affidavits made or filed in respect of the foregoing consent order, in each case, which shall be in form and substance satisfactory to the Administrative Agent;
- (n) the Administrative Agent shall have received a fee letter in respect of the management fees to be paid to it in connection with the administration of this Agreement and the CCB Toronto Credit Agreement (the "**Fee Letter**");
- (o) the Administrative Agent shall have received certified copies of all documentation evidencing or relating to the Deeply Subordinated Loans and the Convertible Debentures (including, for certainty, any security relating thereto);

- (p) the CCB SBLC Provider shall have received the BOC SBLC and CCB Toronto shall have received the CCB SBLC;
- (q) the Administrative Agent shall have received the Disclosure Letter;
- (r) the applicable Intercreditor Parties shall have received a confirmation of subordination in respect of the Convertible Debentures described in Schedule B hereto;
- (s) the Administrative Agent shall have received the termination agreement in respect of loan administration agreement dated January 31, 2017 between China Construction Bank Toronto Branch and China Construction Bank Corporation, Qingdao Branch and the assignment of security made as of January 31, 2017 between China Construction Bank Toronto Branch and China Construction Bank Corporation, Qingdao Branch, the Borrower and Calgary Sinoenergy under the Existing Credit Agreement;
- (t) the representations and warranties in Section 8.01 shall be true and correct in all respects; and
- (u) no Default or Event of Default has occurred and is continuing, or would result from the execution and delivery of the Loan Documents,

provided that all documents delivered pursuant to this Section 3.01 must be in full force and effect, and in form and substance satisfactory to the Administrative Agent and the Lenders, acting reasonably.

3.02 **[Reserved]**

3.03 **Waiver**

- (a) The conditions set forth in Section 3.01 are inserted for the sole benefit of the Lenders and may be waived by the Lenders, in whole or in part (with or without terms or conditions).
- (b) Notwithstanding the requirement in this Article 3 for these deliverables to be made in order for the Agreement to be effective, they are agreed to be deferred in each case to the date following the Closing Date as set out with respect thereto:
  - (i) confirmation of subordination required in 3.01(r) is deferred until November 4, 2020; and
  - (ii) the Saskatchewan legal opinion with respect to the registrations made in Saskatchewan for the purposes of 3.01(f) is deferred until October 30, 2020;

unless waived or extended in writing, any failure to deliver in the time referenced above will constitute an automatic Event of Default.



**ARTICLE 4 - PAYMENTS OF INTEREST  
AND STANDBY FEES**

4.01 **Interest on CDOR Loans**

The Borrower will pay interest on each CDOR Loan during each Interest Period applicable thereto in Canadian Dollars at a rate *per annum* equal to the sum of (a) CDOR plus (b) the Applicable Margin in effect, in each case, from time to time during such Interest Period. Each determination by the Administrative Agent (on behalf of the Lenders) of the CDOR and the Applicable Margin applicable from time to time during an Interest Period will, in the absence of manifest error, be binding upon the Borrower. Such interest will be payable in arrears on each Interest Payment Date for such Loan and will be calculated on the principal amount of the CDOR Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Changes in the CDOR and the Applicable Margin will cause an immediate adjustment of the interest rate applicable to such Loan without the necessity of any notice to the Borrower.

4.02 **Before and After Judgment Interest**

Without duplication to Section 4.03, if a Default or Event of Default has occurred and is continuing, all amounts outstanding hereunder (including, without duplication, all Loans and interest in respect thereof) shall bear interest, after as well as before judgment, at a rate *per annum* equal to the rate specified in Section 4.01 plus 200 bps (2.00%).

4.03 **Interest on Payments in Arrears**

Without duplication to Section 4.02, if any fees or other amount payable by the Restricted Parties hereunder or under the other Loan Documents (other than principal or interest on any Loan) is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment at a rate *per annum* equal to the rate specified in Section 4.01 or Section 4.02, as applicable.

4.04 **[Reserved]**

4.05 **Maximum Rate of Interest**

Notwithstanding anything contained herein to the contrary, the Borrower will not be obliged to make any payment of interest or other amounts payable to the Secured Parties hereunder in excess of the amount or rate that would be permitted by Applicable Law or would result in the receipt by a Secured Party of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)). If the making of any payment by the Borrower would result in a payment being made that is in excess of such amount or rate, the applicable Secured Party will determine the payment or payments that are to be reduced or refunded, as the case may be, so that such result does not occur.

**ARTICLE 5 - RESERVED**

**ARTICLE 6- REPAYMENT**

6.01 **[Reserved]**

6.02 **Mandatory Repayment**

The Borrower will repay the outstanding principal amount of all Loans and all other Obligations under or in connection with the Credit Facility on or before the Final Maturity Date.

6.03 **Mandatory Repayment Based on Adjusted Excess Cash Flow**

(1) Not later than 45 days following each Fiscal Quarter, beginning with the Fiscal Quarter ended March 31, 2021, and for each subsequent Fiscal Quarter, the Borrower will determine Adjusted Excess Cash Flow for such period.

(2) Once Adjusted Excess Cash Flow has been determined in accordance with Section 6.03(1), on the date specified therein, in addition to the repayments required under Sections 6.02 and 6.04, the Borrower will make a repayment under the Credit Facility in Canadian Dollars in an amount equal to 5% of the Adjusted Excess Cash Flow so determined.

(3) All repayments under this Section 6.03 will be applied as a permanent repayment of Loans outstanding under the Credit Facility, on a *pro rata* basis with the repayments of principal required under Section 6.03 of the CCB Toronto Credit Agreement. Such repayments under this Section 6.03 may be reduced in the sole discretion of the Administrative Agent (on behalf of the Lenders) and CCB Toronto, as applicable. For certainty, "*pro rata* basis" for the purposes of allocating any repayments under this Section 6.03 shall be based on actual amounts paid (or to be paid) with respect to the cash sweep obligations pursuant to this Section 6.03 and Section 6.03 of the CCB Toronto Credit Agreement (i.e. if all or a portion of a repayment is declined under Section 6.03 of the CCB Toronto Credit Agreement, then such declined portion shall also be required to be applied hereunder as a permanent repayment of Loans outstanding under the Credit Facility, at the sole discretion of the Administrative Agent).

6.04 **Other Mandatory Repayments**

(1) If a Restricted Party receives Net Proceeds in any amount, the Borrower will have an obligation under this Section 6.04 to make a repayment under the Credit Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such Net Proceeds unless otherwise agreed to by the Administrative Agent (on behalf of the Lenders) in its sole discretion and in accordance with any instructions provided by the Administrative Agent (on behalf of the Lenders). Immediately upon a Restricted Party receiving such Net Proceeds, the Borrower will provide the Administrative Agent with a Repayment Notice and repay Loans under the Credit Facility, subject to Section 6.04(5).

(2) If a Restricted Party receives a payment of proceeds pursuant to or in connection with the issuance of Debt permitted pursuant to Section 9.04(5) (other than Debt that constitutes Deeply Subordinated Loans), the Borrower will have an obligation under this Section 6.04 to make

a repayment under the Credit Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such proceeds (subject to Section 6.04(5)) unless otherwise agreed to by the Administrative Agent (on behalf of the Lenders) in its sole discretion and in accordance with any instructions provided by the Administrative Agent (on behalf of the Lenders). Immediately upon a Restricted Party receiving such proceeds, the Borrower will provide the Administrative Agent with a Repayment Notice and repay Loans under the Credit Facility, subject to Section 6.04(5).

(3) If a Restricted Party receives a payment of proceeds pursuant to or in connection with the issuance or sale of any Equity (other than Equity that constitutes an equity issuance or sale to a Restricted Party or an Affiliate thereof), the Borrower will have an obligation under this Section 6.04 to make a repayment under the Credit Facility in an amount equal to the Equivalent Amount in Canadian Dollars of such proceeds (subject to Section 6.04(5)) unless otherwise agreed to by Administrative Agent (on behalf of the Lenders) in its sole discretion and in accordance with any instructions provided by Administrative Agent (on behalf of the Lenders). Immediately upon a Restricted Party receiving such proceeds, the Borrower will provide the Administrative Agent with a Repayment Notice and repay Loans under the Credit Facility, subject to Section 6.04(5).

(4) If a Restricted Party receives a payment of net insurance proceeds under or in connection with an insurance policy in connection with the loss, damage or destruction of any property, then immediately upon receipt of such payment the Borrower shall prepay the Credit Facility in an amount equal to the Equivalent Amount Canadian Dollars of the portion of such net insurance proceeds that has not been applied to the repair or replacement of such property from which such proceeds were derived (subject to Section 6.04(5)). The Borrower will provide the Administrative Agent with a Repayment Notice and repay Loans under the Credit Facility after the giving of the Repayment Notice, subject to Section 6.04(5).

(5) Each repayment under this Section 6.04 will be applied as a permanent repayment of Loans outstanding under the Credit Facility, on a *pro rata* basis with the corresponding repayments of principal required under Section 6.04 of the CCB Toronto Credit Agreement. For certainty, "*pro rata* basis" for the purposes of allocating any repayments under this Section 6.04 shall be based on actual amounts paid (or to be paid) with respect to the cash sweep obligations pursuant to this Section 6.04 and Section 6.04 of the CCB Toronto Credit Agreement (i.e. if all or a portion of a repayment is declined under Section 6.04 of the CCB Toronto Credit Agreement, then such declined portion shall also be required to be applied hereunder as a permanent repayment of Loans outstanding under the Credit Facility, at the sole discretion of the Administrative Agent).

#### 6.05 **Voluntary Prepayments and Reductions**

At any time after the CCB Toronto Payout Date, if the Administrative Agent has received a Repayment Notice from the Borrower not less than ten Business Days prior to the proposed prepayment date, the Borrower may from time to time prepay Loans outstanding under the Credit Facility without penalty.

#### 6.06 **Repayment Compensation**

If the Borrower by reason of any repayment hereunder, whether mandatory or voluntary, pays any CDOR Loan prior to the end of the applicable Interest Period, the Borrower

will compensate the Lenders for any loss or expense that the Lenders incur as a result thereof, including any breakage costs.

## **ARTICLE 7 - PLACE AND APPLICATION OF PAYMENTS**

### **7.01 Place of Payment of Principal, Interest and Fees**

All payments of principal, interest, fees and other amounts to be made by the Borrower pursuant to this Agreement will be made in the currency in which such amounts are due for value on the day such amount is due or, if such day is not a Business Day, on the Business Day next following with interest, by deposit or transfer thereof to the account designated from time to time in writing by the Administrative Agent at the Lending Office. The Borrower irrevocably authorizes and directs the Administrative Agent to automatically debit, by mechanical, electronic or manual means, any bank account of Borrower for all amounts payable by Borrower pursuant to this Agreement.

### **7.02 Netting of Payments**

If, on any date, amounts would be due and payable under this Agreement in the same currency by a Restricted Party to the Secured Parties, and by the Secured Parties to a Restricted Party, then, on such date, the obligations of each such party to make payment of any such amount will be automatically satisfied and discharged if the amounts payable are the same. If the aggregate amount that would otherwise have been payable by a Restricted Party to the Secured Parties exceeds the aggregate amount that would otherwise have been payable by the Secured Parties to a Restricted Party or *vice versa*, such obligations will be replaced by an obligation upon whichever of the Restricted Party or the Secured Parties would have had to pay the larger aggregate amount, to pay to the other the excess of the larger aggregate amount over the smaller aggregate amount. For greater certainty, prior to acceleration of repayment pursuant to Section 11.02, this Section 7.02 will not permit the Secured Parties to exercise a right of set-off, combination or similar right against any amount which a Restricted Party may have on deposit with the Secured Parties in respect of any amount to which netting is to apply pursuant to this Section 7.02, but will apply only to determine the net amount to be payable by the Secured Parties to a Restricted Party, or by a Restricted Party to the Secured Parties.

## **ARTICLE 8 - REPRESENTATIONS AND WARRANTIES**

### **8.01 Representations and Warranties**

The Borrower represents and warrants to the Secured Parties as follows, and acknowledges and confirms that the Secured Parties are relying upon such representations and warranties:

(1) Existence and Qualification Each of the Restricted Parties (a) that is a corporation or company has been duly incorporated, amalgamated or continued, as the case may be, and is validly subsisting as a corporation or company under the laws of its jurisdiction of incorporation, amalgamation, or continuance, as the case may, (b) that is not a corporation or company has been duly created or established as a partnership or other entity and validly exists under the laws of the

jurisdiction in which it has been created or established, and (c) is duly qualified to carry on business in all jurisdictions in which it carries on business and has all Material Licences.

(2) Power and Authority Each of the Restricted Parties has the power, authority and right (a) to enter into and deliver, and to exercise its rights and perform its obligations under, the Loan Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Loan Documents, and (b) to own its Property and carry on its business as currently conducted and as currently proposed to be conducted by it.

(3) Execution, Delivery, Performance and Enforceability of Documents The execution, delivery and performance of each of the Loan Documents to which a Restricted Party is a party, and every other instrument or agreement delivered by it pursuant to any Loan Document, has been duly authorized by all actions, if any, required on its part and by its shareholders and directors (or where applicable partners, members or managers), and each of the Loan Documents and such other instruments and agreements has been duly executed and delivered and constitutes a valid and legally binding obligation of the particular Restricted Party enforceable against it in accordance with its terms subject to bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application limiting the enforcement of creditors' rights generally and to general equitable principles.

(4) Loan Documents Comply with Applicable Laws, Organizational Documents and Contractual Obligations Neither the entering into nor the delivery of, and neither the consummation of the transactions contemplated in nor compliance with the terms, conditions and provisions of, the Loan Documents by any Restricted Party conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Requirement of Law applicable to it or any of its Organizational Documents (except, in each case, where such conflict, breach, default, or contravention would not, individually or in the aggregate, constitute, or be reasonably likely to result in, a Material Adverse Change).

(5) Consents Respecting Loan Documents Each of the Restricted Parties has obtained, made or taken all consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required as to the date hereof in connection with the execution and delivery by it of each of the Loan Documents to which it is a party and the consummation of the transactions contemplated in the Loan Documents.

(6) Security The Security constitutes a valid first security interest and first floating charge on the relevant assets of the Restricted Parties, subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto.

(7) Taxes Other than as set forth in the Disclosure Letter, each of the Restricted Parties has paid or made adequate provision for the payment of all Taxes levied on it or on its Property or income that are due and payable, including interest and penalties, or has accrued such amounts in its financial statements for the payment of such Taxes except Taxes that are not material in amount, that are not delinquent or if delinquent are being contested, and in respect of which non-payment would not individually or in the aggregate constitute, or be reasonably likely to cause, a Material Adverse Change, and there is no material action, suit, proceeding, investigation, audit or claim now pending, or to its knowledge threatened, by any Governmental Authority regarding any Taxes

nor has it agreed to waive or extend any statute of limitations with respect to the payment or collection of Taxes.

(8) Judgments, Etc. Other than as set forth in the Disclosure Letter, none of the Restricted Parties 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) that has not been stayed or of which enforcement has not been suspended and that individually or in the aggregate constitutes, or is reasonably likely to cause, a Material Adverse Change.

(9) Absence of Litigation Other than as set forth in the Disclosure Letter, there are no actions, suits or proceedings pending or, to the best of the Borrower's knowledge and belief, after due inquiry and all reasonable investigation, threatened against or affecting any Restricted Party that are reasonably likely to cause, either separately or in the aggregate, a Material Adverse Change. None of the Restricted Parties is in default with respect to any Applicable Law in a manner or to an extent that could reasonably be expected to cause a Material Adverse Change.

(10) Title to Assets Other than as set forth in the Disclosure Letter, each of the Restricted Parties has good title to its Property, free and clear of all Encumbrances except Permitted Encumbrances and no Person has any agreement or right to acquire an interest in such Property other than in the ordinary course of the business of the applicable Restricted Party.

(11) Use of Real Property All real property owned or leased by each of the Restricted Parties may be used in all material respects by it pursuant to Applicable Law for the present use and operation of the material elements of the business conducted, or intended to be conducted, on such real property by it except where non compliance with any such Applicable Law could not constitute, or be reasonably be expected, individually or in the aggregate, to constitute, or cause, a Material Adverse Change.

(12) Operation of Properties. To the Borrower's knowledge, all of its oil and gas properties 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 could not be reasonably expected to have a Material Adverse Effect.

(13) Labour Relations None of the Restricted Parties is engaged in any unfair labour practice that could reasonably be expected to cause a Material Adverse Change; and there is no unfair labour practice complaint pending against any of the Restricted Parties, or threatened against any of them, before any Governmental Authority that if adversely determined could reasonably be expected to cause a Material Adverse Change. No grievance or arbitration arising out of or under any collective bargaining agreement is pending against any of the Restricted Parties or threatened against any of them. No strike, labour dispute, slowdown or stoppage is pending against any of the Restricted Parties or threatened against any of them and no union representation proceeding is pending with respect to any employees of the Restricted Parties, except (with respect to any matter specified in this sentence, either individually or in the aggregate) such as could not reasonably be expected to cause a Material Adverse Change.

(14) Pension. No Restricted Party has established or maintains any Pension Plan.

(15) Compliance with Laws Other than as set forth in the Disclosure Letter, none of the Restricted Parties is in default under any Applicable Law where such default could reasonably be expected to cause a Material Adverse Change or affect its ability to perform any of its obligations under any Loan Document to which it is a party.

(16) No Default Other than (a) as set forth in the Disclosure Letter, and (b) the failure of the Borrower to pay interest in respect of the Borrower's existing Convertible Debentures held by Calgary Sinoenergy, none of the Restricted Parties is in default under any agreement, guarantee, indenture or instrument to which it is a party or by which it is bound, the breach of which could reasonably be expected to cause a Material Adverse Change or affect its ability to perform any of its obligations under any Loan Document to which it is a party.

(17) Ownership Structure The ownership structure of the Borrower and its Subsidiaries is as set out in Schedule 8.01(17), which contains:

- (a) a list of all Restricted Parties; and
- (b) complete and accurate information respecting:
  - (i) each such Restricted Party's name (including any French and English forms of name) and the jurisdiction in which each Restricted Party was formed;
  - (ii) the address (including postal code or zip code) of each Restricted Party's chief executive office and chief place of business and, if the same is different, the address at which the books and records of such Restricted Party are located, the address at which senior management of such Restricted Party are located and conduct their deliberations and make their decisions with respect to the business of such Restricted Party and the address from which the invoices and accounts of such Restricted Party are issued; and
  - (iii) the authorized capital of the Borrower and each Restricted Party, the number of issued and outstanding shares of each such Person and the beneficial owners thereof.

(18) Relevant Jurisdictions The Relevant Jurisdictions for each Restricted Party are set forth on Schedule 1.01(F).

(19) Security The Security is effective to create in favour of the Secured Parties, as security for the Obligations, a legal, valid, binding and enforceable security interest in the collateral described therein and proceeds thereof.

(20) Liens and Indebtedness Other than as set forth in the Disclosure Letter, no Restricted Party has any material liens on its property, other than the Security and Permitted Encumbrances, and has not incurred or assumed any Debt, other than Permitted Debt.

(21) Intellectual Property Rights Each of the Restricted Parties has sufficient Intellectual Property Rights reasonably necessary for the conduct of its businesses. To the Borrower's knowledge, none of the Restricted Parties is infringing or is alleged to be infringing the Intellectual Property Rights of any other Person in a manner that could reasonably be expected to cause, or if any allegation is determined adversely could reasonably be expected to cause, a Material Adverse Change other than as disclosed in Schedule 8.01(21).

(22) Financial Statements All of the quarterly and annual financial statements that have been furnished to the Administrative Agent and the Lenders in connection with this Agreement are complete in all material respects and such financial statements fairly present the financial position of the Borrower or other Restricted Party, as the case maybe, as of the dates referred to therein and have been prepared in accordance with GAAP. None of the Restricted Parties has any liabilities (contingent or other) or other obligations of the type required to be disclosed in accordance with GAAP that are not fully disclosed on the consolidated financial statements of the Borrower provided to the Administrative Agent and the Lenders for the fiscal period ended December 31, 2019 and thereafter, the most recently delivered consolidated financial statements provided to the Administrative Agent and the Lenders in accordance with Section 9.03(2)(b), other than liabilities and obligations incurred in the ordinary course of business, and the Obligations.

(23) No Material Adverse Change Other than as set forth in the Disclosure Letter, since the date of the Borrower's most recent annual audited financial statements provided to the Administrative Agent and the Lenders, there has been no condition (financial or otherwise), event or change in any Restricted Party's business, liabilities, operations, results of operations, assets or prospects which constitutes, or could reasonably be expected to constitute, or cause, a Material Adverse Change.

(24) Environmental Matters

- (a) The assets of each Restricted Party and its operations are in full compliance in all respects with all Environmental Laws; the Borrower is not aware of, nor has it received notice of, any past, present or future condition, event, activity, practice or incident that may interfere with or prevent the compliance or continued compliance of it or any other Restricted Party in all respects with all Environmental Laws; and each Restricted Party has obtained all licences, permits and approvals that are currently required under all Environmental Laws and is in full compliance with the provisions of such licences, permits and approvals, in each case except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (b) The Borrower is not aware that any Hazardous Substances exist on, about or within or have been used, generated, stored, transported, disposed of on, or released from any of its Property or the Property of any other Restricted Party other than in material accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.



- (c) The use which each Restricted Party has made and intends to make of its Property will not result in the use, generation, storage, transportation, accumulation, disposal, or release of any Hazardous Substances on, in or from any such property except in accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause a Material Adverse Change.
- (d) There is no action, suit or proceeding, or, to its knowledge, any investigation or inquiry, before any Governmental Authority pending or, to its knowledge, threatened against any Restricted Party relating in any way to any Environmental Law that would or could reasonably be expected to cause a Material Adverse Change.
- (e) No Restricted Party has (i) incurred any current and outstanding liability for any clean-up or remedial action under any Environmental Law with respect to current or past operations, events, activities, practices, incidents or the condition or use of any Property owned currently or in the past, (ii) received any outstanding written request for information (other than information to be provided in the normal course in connection with applications for licences, permits or approvals) by any Person under any Environmental Law with respect to the condition, use or operation of its Property, or (iii) received any outstanding written notice or claim under any Environmental Law with respect to any material violation of or liability under any Environmental Law or relating to the presence of Hazardous Substance on or originating from its Property, that, in any such case, would or could reasonably be expected to cause a Material Adverse Change.

(25) Pension Plans With respect to Pension Plans, except as disclosed on Schedule 8.01(25), (a) no steps have been taken to terminate any Pension Plan (wholly or in part) that could result in any of the Restricted Parties being required to make an additional contribution to the Pension Plan, (b) no contribution failure has occurred with respect to any Pension Plan of a Restricted Party sufficient to give rise to a lien or charge under any applicable pension benefits laws, and (c) no condition exists and no event or transaction has occurred with respect to any Pension Plan that is reasonably likely to result in any Restricted Party incurring any material liability, fine or penalty. Except as disclosed on Schedule 8.01(25), (i) each Pension Plan of each Restricted Party is in compliance in all material respects with all Applicable Laws, (ii) all contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Applicable Laws and the terms of each such Pension Plan have been made in accordance with all Applicable Laws and the terms of each such Pension Plan, (iii) all liabilities under each such Pension Plan are funded, on a going concern and solvency basis, in accordance with the terms of the respective Pension Plans, the requirements of applicable pension benefits laws and of applicable regulatory authorities and the most recent actuarial report filed with respect to the Pension Plan, and (iv) no event has occurred and no conditions exist with respect to any Pension Plan that have resulted or could reasonably be expected to result in any Pension Plan having its registration revoked or refused for the purposes of any administration of any relevant pension benefits regulatory authority or being required to pay any Taxes under any Applicable Laws,

except for any exceptions to clauses (ii) through (iv) above that, individually or in the aggregate, could not reasonably be expected to cause a Material Adverse Change.

(26) Full Disclosure All information provided or to be provided to the Administrative Agent and the Lenders in connection with the Credit Facility (including, for certainty, all information in the Disclosure Letter) is, to the Borrower's knowledge, true and correct and none of the documentation furnished to the Administrative Agent and the Lenders by or on behalf of the Borrower, to the Borrower's knowledge, omits or will omit as of such time, a material fact necessary to make the statements contained therein not misleading in any material way, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by it (and any other Person who furnished such material on behalf of it).

(27) Anti-Corruption Laws; Anti-Terrorism Laws; Sanctions

- (a) No part of the proceeds of any advance or Loan will be used, directly or to the knowledge of a Restricted Party and their respective Subsidiaries (after due inquiry to the extent required by Applicable Law) indirectly, to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person in any manner that would result in any violation by any Person (including the Secured Parties) of (A) any Sanctions or (B) applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (b) None of the Borrower, any other Restricted Party nor any of their respective Subsidiaries (A) is, or will become a Sanctioned Person or (B) engages or will engage in any dealings or transactions, or is or will be otherwise associated, with any Sanctioned Person that would result in any violation of (x) any Sanctions or (y) applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (c) Each of the Borrower, the other Restricted Parties and their respective Subsidiaries is, and has conducted its business, in compliance in all respects with all Sanctions and all applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (d) Each of the Borrower, the other Restricted Parties and their respective Subsidiaries is, and has conducted its business, in compliance with all Anti-Money Laundering/ Anti-Terrorist Financing Laws.
- (e) To the knowledge of any Restricted Party, the Borrower, each other Restricted Party and their respective Subsidiaries are not the subject of any investigation, inquiry or enforcement proceedings by any Governmental Authority regarding any offense or alleged offense under any Anti-Corruption Laws or Anti-Money Laundering/ Anti-Terrorist Financing Laws in which there is a possibility of an adverse decision and no such investigation, inquiry or proceeding is pending or has been threatened.

- (f) Each of the Borrower, the other Restricted Parties and their respective Subsidiaries is, and has conducted its business, in compliance with all Anti-Corruption Laws. No part of the proceeds of any advance or Loan hereunder or under the Existing Credit Agreement has been used or will be used, directly or, to the knowledge of a Restricted Party (after due inquiry to the extent required by Applicable Law), indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in a governmental capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Laws.
- (g) The Borrower, each other Restricted Party and their respective Subsidiaries have policies and procedures in place to ensure that each of the foregoing representations and warranties in this Section 8.01(27) are true and correct at all times.

(28) Section 4 of the *Interest Act* (Canada)

- (a) This Agreement, including, without limitation, Section 1.04, Section 1.05 and Article 4 hereof and the constituent definitions herein and under the other Loan Documents relating to interest and other amounts payable hereunder and thereunder, satisfies the requirements of section 4 of the *Interest Act* (Canada) to the extent that such section 4 of the *Interest Act* (Canada) applies to the expression, statement or calculation of any rate of interest or other rate per annum hereunder or under any other Loan Document.
- (b) The Borrower, each other Restricted Party and their respective Subsidiaries are each able to calculate the yearly rate or percentage of interest payable under any Loan Document based on the methodology set out herein and under the other Loan Documents, including, without limitation, Section 1.04, Section 1.05 and Article 4 hereof and the constituent definitions herein and under the other Loan Documents relating to interest and other amounts payable hereunder and thereunder.

(29) Deeply Subordinated Loans and Convertible Debentures As of the date hereof, there are no Deeply Subordinated Loans or Convertible Debentures except those described in Schedule B hereto.

(30) Controlled Accounts Schedule 8.01(30) contains a complete and accurate list of all Controlled Accounts as of the date hereof.

(31) Real Property The officer's certificate in respect of title to be delivered on the Closing Date contain a correct and complete list of all real property owned and leased by the respective Restricted Party party thereto (including, without limitation, a legal description of all owned real property and leased real property (freehold, Crown, surface, mineral or otherwise)).

(32) No Financial Assistance All Financial Assistance given by the Restricted Parties and outstanding on the date hereof is described in Section 9.04(6) of the Disclosure Letter.

8.02 **Survival and Repetition of Representations and Warranties**

The representations and warranties set out in Section 8.01 survive the execution and delivery of this Agreement and all other Loan Documents and will be deemed to be repeated by the Borrower as of the date of each Compliance Certificate delivered hereunder. To the extent that on or prior to such date (a) the Borrower has advised the Administrative Agent in writing of a variation in any such representation or warranty, and (b) if such variation, in the opinion of the Administrative Agent (on behalf of the Lenders), acting reasonably, is material to the Property, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of any Restricted Party considered as a whole or could have, or be reasonably likely to result in, a Material Adverse Change, and the Administrative Agent (on behalf of the Lenders) has approved such variation, then such representation and warranty will thereafter be deemed to be varied as approved by the Administrative Agent (on behalf of the Lenders).

**ARTICLE 9 - COVENANTS**

9.01 **Positive Covenants**

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Administrative Agent and the Lenders, Borrower will, and will ensure that each Restricted Party will (as applicable):

(1) **Timely Payment** Make due and timely payment of the Obligations required to be paid by it hereunder.

(2) **Maintenance and Operation of Properties** Maintain and operate its property, or, if it is not the operator, use reasonable efforts to ensure that such property is maintained and operated, in accordance with sound industry practice and in accordance in all respects with Applicable Law, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(3) **Performance of Agreements** Other than as set forth in the Disclosure Letter, perform their 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 could 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.

(4) **Comply with Law and Maintain Permits** Other than as set forth in the Disclosure Letter, 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 Governmental Authorities, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect.

(5) **Conduct of Business, Maintenance of Existence, Compliance with Laws** Engage in business of the same general type as now conducted by it; carry on and conduct its business and

operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; and take all reasonable action to maintain all rights, privileges and franchises necessary in the normal conduct of its business and to comply in all material respects with all Requirements of Law, including Requirements of Environmental Law. For certainty, Calgary Sinoenergy will solely hold the shares and loans (along with any Deeply Subordinated Loans) and have the liabilities as described in Schedule 9.01(5).

(6) Further Assurances Use reasonable efforts to provide the Administrative Agent and the Lenders with such other documents, opinions, consents, acknowledgments and agreements as are reasonably necessary to implement this Agreement and the other Loan Documents from time to time.

(7) Access to Information Promptly provide the Administrative Agent (on behalf of the Lenders) with all information reasonably requested by the Administrative Agent from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Administrative Agent to inspect any of its Property subject to guidelines provided by the Borrower, acting reasonably, and to examine (subject to any bona fide third party confidentiality agreements) its financial records, including records stored in computer data banks and computer software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors, the reasonable expense of all of which will be paid by the Borrower.

(8) Inspection of Property; Books and Records; Discussions Will maintain books and records of account in accordance with GAAP and Applicable Law; and permit representatives of the Administrative Agent at the Borrower's expense, and subject to the Borrower's health and safety requirements and further subject to guidelines provided by the Borrower, acting reasonably, 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 the Restricted Parties and to examine (subject to any bona fide third party confidentiality agreements) any books and records of the Restricted Parties at any reasonable time during normal business hours and upon reasonable request and notice, and subject to the Restricted Parties' health and safety requirements, and to discuss the business, property and condition (financial or otherwise) of the Restricted Parties with their senior officers and (in the presence of such representatives, if any, as it may designate) with its independent chartered accountants.

(9) Obligations and Taxes Other than as set forth in the Disclosure Letter, pay or discharge, or cause to be paid or discharged, before the same will become delinquent (i) all Taxes imposed upon it or upon its income or profits or in respect of its business or Property and file all tax returns in respect thereof, (ii) all lawful claims for labour, materials and supplies, (iii) all required payments under any of its Debt, and (iv) all other obligations; provided, however that it will not be required to pay or discharge or to cause to be paid or discharged any such amount so long as the validity or amount thereof is being contested in good faith by appropriate proceedings and an appropriate financial reserve in accordance with GAAP and satisfactory to the Administrative Agent (on behalf of the Lenders) has been established.

(10) Use of Credit Facility Use the proceeds of the Credit Facility only for the purposes specified in Section 2.04.

(11) Insurance Maintain insurance on all its Property (showing the Collateral Agent as the loss payee as its interests may appear and additional insured, with a standard mortgage clause endorsement) with financially sound and reputable insurance companies or associations including all-risk property insurance, comprehensive general liability insurance and business interruption insurance, in amounts and against risks that are determined by it to be appropriate and that are prudent in the circumstances; furnish to the Administrative Agent and the Collateral Agent, on written request, but in any event annually, satisfactory evidence of the insurance carried and notify the Administrative Agent and the Collateral Agent of any claim it makes under the foregoing insurance.

(12) Notice of Default Promptly notify the Administrative Agent of any Default or Event of Default that would apply to it of which it becomes aware, using reasonable diligence.

(13) Notice of Material Adverse Change Promptly notify the Administrative Agent of any Material Adverse Change that would apply to it of which it becomes aware, using reasonable diligence.

(14) Notice of Litigation Promptly notify the Administrative Agent on becoming aware of the occurrence of any litigation, dispute, arbitration or other proceeding the result of which if determined adversely would be a judgement or award against it (a) in excess of \$1,000,000, or (b) would result in a Material Adverse Change to it, and from time to time provide the Administrative Agent with all reasonable information requested by the Administrative Agent concerning the status of any such proceeding.

(15) Environmental Compliance Operate all Property owned, leased or otherwise used by it in a manner such that no obligation, including a clean-up or remedial obligation, will arise under any Environmental Law, which obligations individually or in the aggregate would have, or would be reasonably likely to cause, a Material Adverse Change; provided, however, that if any such claim is made or any such obligation arises, it will or will cause the applicable Restricted Party to immediately satisfy or contest such claim or obligation at its own cost and expense, and promptly notify the Administrative Agent upon learning of (a) the existence of Hazardous Substances located on, above or below the surface of any land that it occupies or controls (except those being stored, used or otherwise handled in substantial compliance with Environmental Law), or contained in the soil or water constituting such land, or (b) the occurrence of any reportable release of Hazardous Substances into the air, land surface water or ground water that has occurred on or from such land that, as to either (a) or (b), would be reasonably likely to result in a Material Adverse Change.

(16) Environmental Audit At the reasonable request of the Administrative Agent, will assist the Administrative Agent in conducting an environmental audit of any property which is the subject matter of any material contingent or actual obligations or liabilities, by an independent consultant selected jointly by the Administrative Agent (on behalf of the Lenders) and the Borrower, and failing any such agreement, the Administrative Agent (on behalf of the Lenders). The reasonable costs of such audit will be for the account of the Borrower, provided that the

Administrative 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 the Borrower is in breach, or with the passage of time will be in breach, of any Environmental Law and such breach or potential breach has or could reasonably be expected to have a Material Adverse Effect, and without in any way prejudicing or suspending any of the rights and remedies of the Secured Parties under the Loan Documents, the Borrower will forthwith commence and diligently proceed to rectify or cause to be rectified such breach or potential breach, as the case may be, and will keep the Administrative Agent fully advised of the actions it intends to take and has taken to rectify such breach or potential breach and the progress it is making in rectifying same. The Administrative 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 Borrower's compliance with this Section 9.01(16).

(17) Security Provide the Collateral Agent and the other Secured Parties with the Security required from time to time pursuant to Article 10 in accordance with the provisions of such Article, accompanied by supporting resolutions, certificates and opinions in form and substance satisfactory to the Collateral Agent, acting reasonably, and do all such further acts and execute and deliver all such documents and instruments as may from time to time be requested by the Collateral Agent, acting reasonably, to ensure that the Security constitutes at all times valid, enforceable, and perfected first priority Encumbrances (subject only to Permitted Encumbrances).

(18) Maintenance of Property Keep all Property useful and necessary for its business in good working order and condition, normal wear and tear excepted, except to the extent that the failure to do so would not individually or in the aggregate be reasonably likely to cause a Material Adverse Change.

(19) Hedge Arrangements At the request of the Administrative Agent and on a monthly basis, review its hedge program with the Administrative Agent and the Lenders and provide satisfactory evidence that it has entered into and is maintaining a sound and fiscally responsible hedge program to manage interest rate and foreign exchange risk.

(20) Pension Matters Promptly notify the Administrative Agent on becoming aware of (a) the institution of any steps by any Person to terminate or effect a partial wind-up of any Pension Plan, (b) the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to an Encumbrance under any Applicable Law, (c) the taking of any action with respect to a Pension Plan that is reasonably likely to result in the requirement that any Restricted Party furnish a bond or other security to such Pension Plan or any applicable Governmental Authority, or (d) the occurrence of any event with respect to any Pension Plan that has not been disclosed on Schedule 8.01(25) and that is reasonably likely to result in the incurrence by any Restricted Party of any material liability, fine or penalty, and in the notice to the Administrative Agent thereof, provide copies of all documentation relating thereto.

(21) Disbursement Account.

(a) The Collateral Agent (on behalf of the Intercreditor Parties) is authorized by the Restricted Parties to, at any time, whether or not a Default or Event of Default has occurred or is continuing, issue a "Trigger Notice" or otherwise take control of the

Controlled Accounts. The Collateral Agent (on behalf of the Intercreditor Parties) shall provide a copy of any such issued "Trigger Notice" forthwith to the Borrower.

- (b) Other than any CCB Disbursements (as defined below) received in the Controlled Accounts, on a periodic basis as required by the Collateral Agent (on behalf of the Intercreditor Parties), acting reasonably, the Restricted Parties shall deposit or cause to be deposited to the revenue collection and expense disbursement account established by the Borrower with the Collateral Agent (on behalf of the Intercreditor Parties), which, for certainty shall also be a Controlled Account (the "**Disbursement Account**"), all revenues, receipts, monies and proceeds and other sums of any nature received (or to be received) by or payable (or become payable) to the Restricted Parties (other than Calgary Sinoenergy) or which are received from any source in any other Controlled Account.
- (c) The Collateral Agent (on behalf of the Intercreditor Parties) agrees, provided that no Default or Event of Default has occurred or is continuing (other than those which have been waived in writing by the Collateral Agent and the Intercreditor Parties), on a monthly basis, or more frequently (including, for certainty, for emergency requests for disbursements, which emergency disbursements may be released within one day of such request) at the sole determination of Collateral Agent and the Intercreditor Parties, to disburse to the Controlled Accounts, within 3 Business Days, reasonable amounts requested by the Borrower and supported by the budget of the Borrower, an itemized and quantified list of payables and such other documents requested by the Collateral Agent (on behalf of the Intercreditor Parties), for the purpose of paying the Borrower's verifiable and necessary cash expenses, including a reasonable contingency for unbudgeted expenses for the 30 day period following any such request (the "**CCB Disbursements**").
- (d) Other than account debtors who have historically remitted by way of physical cheque and where direct remittances to the Disbursement Account are impracticable, the Restricted Parties shall on commercially reasonable efforts basis cause all of their account debtors, including any new debtors from time to time, to directly remit all payments on accounts to the Disbursement Account.

(22) Collection of Accounts. Make all commercially reasonable efforts to collect all accounts receivables from its Affiliates in full and in a timely manner with no forbearance or forgiveness of contractual terms; for certainty, no Restricted Party will convert any such obligation to equity or any other consideration.

(23) Anti-Money Laundering/Anti-Terrorist Financing Laws; Sanctions; Anti-Corruption Laws Representations Continue to be True. The Borrower and each other Restricted Party shall, and shall cause each of their respective Subsidiaries to, conduct its business operations such that, and have policies and procedures in place to ensure that, the representations and warranties in Section 8.01(27) are true and correct at all times that this Agreement is in effect (and not just at, and as of, the times such representations and warranties are made or deemed to be made).



(24) Controlled Accounts. Ensure that, at all times, the Controlled Accounts shall be subject to an account control agreement (in form and substance satisfactory to the Collateral Agent), subject to Section 10.01(h).

9.02 **[Reserved]**

9.03 **Reporting Requirements**

So long as this Agreement is in force, the Borrower will deliver to the Administrative Agent (for distribution to the Lenders):

(1) Quarterly Reports As soon as available and in any event within 45 days of the end of each of its Fiscal Quarters (excepting Fiscal Quarters ending December 31) (a) the non-consolidated financial statements of the Borrower and each other Restricted Party, (b) the interim unaudited consolidated financial statements of the Borrower, including, in each case, balance sheet, statement of cash flows, statement of income and retained earnings, statement of cash flows, which will be prepared in accordance with GAAP, and (c) a reconciliation of the financial statements referred to in clauses (a) and (b) above.

(2) Annual Reports As soon as available and in any event within 90 days after the end of each of its fiscal years, (a) the unaudited non-consolidated financial statements of each Restricted Party, and (b) the annual audited financial statements of the Borrower prepared on a consolidated basis, including, in each case, balance sheet, statement of income and retained earnings, statement of cash flows and source and application of funds for such fiscal year, which will be reviewed by an internationally recognized accounting firm, and will be prepared in accordance with GAAP and approved by the Borrower's board of directors.

(3) Quarterly Compliance Certificate and Environmental Certificate Within 45 days after the end of each Fiscal Quarter (excepting Fiscal Quarters ending December 31) will furnish to the Administrative Agent (i) a Compliance Certificate and (ii) an Environmental Certificate.

(4) Annual Compliance Certificate and Environmental Certificate Within 90 days after the end of each fiscal year, will furnish to the Administrative Agent (i) a Compliance Certificate and (ii) an Environmental Certificate.

(5) Annual Business Plan As soon as available and in any event no later than the end of each fiscal year commencing after the Closing Date, a business plan in a form satisfactory to the Administrative Agent and the Lenders, acting reasonably, that has been approved by the Borrower's board of directors for the forthcoming fiscal year.

(6) Additional Environmental Information Upon the request of the Administrative Agent, acting reasonably, to the extent within its control, make available for discussion with the Administrative Agent or its nominee at all reasonable times the individuals who were involved in the preparation of any Environmental Certificate.

(7) Annual Financial Forecast Furnish to the Administrative Agent a financial forecast for the next fiscal year including an income statement, balance sheet, and cash flow statement and

Capital Expenditure budget, detailed on a monthly basis on or prior to 30 days prior to the end of each fiscal year commencing with the first fiscal year after the Closing Date.

(8) Production Information

- (a) As soon as available following the end of each Fiscal Quarter, furnish to the Administrative Agent a report of the lease operating and production performance including year to date figures, gross production, net production, total revenues, royalties and other burdens, operating expenses and net revenues, in a format acceptable to the Administrative Agent, acting reasonably.
- (b) Promptly and as soon as practically possible, following (i) any date on which the Borrower or any other Restricted Party has shut-in previously producing wells and (ii) any date on which management of the Borrower or any other Restricted Party has determined to shut-in previously producing wells, which in either case is reasonably expected to reduce average daily production for the Fiscal Quarter in which such shut-in occurs or is anticipated to occur, as applicable, by at least 10% of the Restricted Parties' forecasted aggregate average daily production for such Fiscal Quarter as indicated in the most recent production forecast approved by the board of directors of the Borrower, the Borrower shall notify the Administrative Agent (on behalf of the Lenders) of such shut-in or forecasted shut-in and shall furnish to the Administrative Agent (on behalf of the Lenders) a detailed report in respect thereof.

(9) Notice of Hedging

- (a) Provide prompt written notice to the Administrative Agent of the unwinding or other early termination of any material commodity swap contract, except to the extent such unwinding or termination relates to a Disposition permitted by Section 9.04(1).
- (b) Furnish to the Administrative Agent a report (on a consolidated basis), no more than 10 days after the last day of each month, a report on the status of all outstanding Hedge Arrangements, such report to be in a form and containing such information as may be required by the Lenders, acting reasonably, which shall in any event (i) detail all hedging activity occurring during such month, and (ii) detail the position and market value of all Hedge Arrangements in effect as at the end of such month.

(10) Capital Expenditures Furnish to the Administrative Agent, at least 5 days prior to the last day of each month, a monthly Capital Expenditures budget (on a consolidated basis) for the following month, in form and substance satisfactory to the Administrative Agent and the Lenders.

(11) Budget/Cash Flow Projections Furnish to the Administrative Agent, at least 5 days prior to the last day of each month, a monthly cash flow projection (on a consolidated basis) for the following month, in form and substance satisfactory to the Administrative Agent and the Lenders.

(12) Prior Month Cash Flow Furnish to the Administrative Agent a report (on a consolidated basis), no more than 10 days after the last day of each month, which sets out the Borrower's actual cash receipts and actual expenditures (the "**Cash Flow Report**") with all supporting ledgers, analysis and other information (including a transaction report from bank accounts in the Restricted Parties' name at any financial institution, including, without limitation, the Controlled Accounts). The Cash Flow Report will cover the preceding month and will explain any variances to the budget/cash flow projection (as contemplated in Section 9.03(11)) in any line item that is both: (a) greater than 10% and (b) exceeds \$25,000.

(13) Aged Accounts Payable Furnish to the Administrative Agent, at least 5 days prior to the last day of each month, an aged list of accounts payable.

(14) Other Information Such other information as it may reasonably request respecting the Restricted Parties, including an aged list of accounts receivable and accounts payable for each Restricted Party.

(15) Notice of Intended Dispositions. Subject, and without limitation to, Section 9.04(1), the Borrower shall provide prior written notice to the Administrative Agent of any intended sale, transfer, assignment or other Disposition (or series of related Dispositions) (other than the Dispositions described in paragraph (i) of the definition of "Permitted Disposition") by the Borrower or any other Restricted Party of (a) P&NG Rights or (b) any other assets, such notice to be provided by the Borrower to the Administrative Agent not less than 60 Business Days prior to the closing of any such Disposition or series of Dispositions.

(16) Annual Independent Engineering Report. The Borrower will furnish to the Administrative Agent, on or prior to March 31 of each year, an Engineering Report, effective as of December 31 of the immediately preceding year, prepared by the Independent Engineer.

(17) Semi Annual Engineering Update. The Borrower will furnish to the Administrative Agent, on or prior to October 31 of each year, a written update to the engineering and reserves information provided in the Engineering Report previously delivered pursuant to Section 9.03(16), effective as of July 31 of such year, or such other date as the Borrower and the Administrative Agent (on behalf of the Lenders) may agree on, prepared by the internal engineering staff of the Borrower; such update to include such updated reserve information and other information and otherwise to be in form and substance as may be required by the Administrative Agent, acting reasonably.

(18) Appointment of a Financial Advisor. The Borrower hereby agrees that upon and during the continuation of an Event of Default, the Administrative Agent (on behalf of the Lenders) may, in its sole discretion, engage a financial advisor (the "**Financial Advisor**") to monitor, among other things, the financial affairs and business operations of the Borrower, as the Administrative Agent deems necessary in its sole and unfettered discretion. While the Administrative Agent has not yet determined to engage the Financial Advisor, the Administrative Agent reserves the right in its sole and unfettered discretion, to engage, at the Borrower's expense, the Financial Advisor as monitor of the Borrower upon and during the continuation of an Event of Default and upon written notice to the Borrower. Upon any such engagement of the Financial Advisor as monitor of the Borrower, the Borrower agrees to cooperate fully with the Administrative Agent and the Financial

Advisor and their respective agents, consultants and employees including, without limitation, by providing promptly all information reasonably requested by any such person. For certainty, the Borrower hereby confirms and consents to the release and exchange by and among the Administrative Agent, the Lenders and the Financial Advisor regarding all information concerning the Borrower.

(19) LMR Reporting. At least 5 days prior to the last day of each month, the Borrower will furnish to the Administrative Agent evidence of its then current LMR in each Applicable LMR Jurisdiction.

#### 9.04 Negative Covenants

So long as this Agreement is in force the Borrower will not, and will ensure that each Restricted Party will not:

(1) Disposition of Property Other than Permitted Dispositions, Dispose of, in one transaction or a series of transactions, all or any part of its Property, whether now owned or hereafter acquired, without the express written consent of the Administrative Agent and the Lenders. Each of the Administrative Agent and the Lenders may advise the Borrower in writing as to whether or not it consents to any such Disposition within thirty (30) calendar days of receipt of a written notification from the Borrower of its intention to make such a Disposition (such notification to include reasonable particulars of such Disposition); provided that, in the event the Administrative Agent and/or the Lenders do not so advise the Borrower within such thirty (30) calendar day period, the Administrative Agent and/or the Lenders, as applicable, shall be deemed to have advised the Borrower that they does not provide its consent to such Disposition.

(2) Acquire Property Acquire, in one transaction or a series of transactions, any Property, other than land rights, in the normal course of business, exceeding Cdn \$2,000,000 in aggregate in each fiscal year, unless included in the Capital Expenditure budget included in the annual financial forecast provided pursuant to Section 9.03(7) and approved by the Administrative Agent and the Lenders in their sole discretion.

(3) No Consolidation, Amalgamation, Change of Control, etc. Consolidate, amalgamate or merge with any other Person, enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, permit any liquidation, winding up or dissolution or permit or facilitate or allow any change of share ownership of the Borrower from that of wholly owned by Calgary Sinoenergy.

(4) No Change of Name Change its name without providing the Administrative Agent with 30 days' prior written notice thereof.

(5) No Debt Other than Calgary Sinoenergy, create, incur, assume or permit any Debt to remain outstanding, other than Permitted Debt.

(6) No Financial Assistance Other than the Financial Assistance provided prior to the date hereof and described in the Disclosure Letter, give any Financial Assistance, and in each case in no higher principal amounts than outstanding on the date hereof and on a non-revolving basis.

- (7) No Distributions Make any Distribution.
- (8) No Encumbrances Create, incur, assume or permit to exist any Encumbrance upon any of its Property except Permitted Encumbrances.
- (9) Capital Expenditures In any fiscal year make, or enter into any agreement which would require it to make, any Capital Expenditures materially in excess of those amounts as set out in the Capital Expenditures budget to be delivered pursuant to Section 9.03(10), such Capital Expenditures budget is to be approved by the Administrative Agent and the Lenders in their sole discretion.
- (10) No Change to Year End Make any change to its fiscal year end from December 31.
- (11) Prepayments Prepay, redeem, repurchase or otherwise satisfy (other than by way of the issuance of capital stock of the Borrower) prior to the scheduled maturity thereof any portion of any unsecured notes, any Deeply Subordinated Loan, any Convertible Debentures and/or second lien notes.
- (12) Changes to Constatng Documents 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 Secured Parties under the Loan Documents.
- (13) No Continuance Continue into any other jurisdiction.
- (14) Hedge Arrangements Enter into or permit to be outstanding at any time any Hedge Arrangement unless:
- (a) such Hedge Arrangement has been entered into by the Restricted Party bona fide and in good faith in the ordinary course of its business for the purpose of carrying on the same and not for speculative purposes; and
  - (b) the aggregate amount hedged under all financial commodity swap contracts at the time such contract is entered into and after giving effect thereto shall not exceed
    - (i) 75% of the first year projected average daily production net of royalties and
    - (ii) 50% of the second year of projected average daily production net of royalties.
- (15) Location of Assets in Other Jurisdictions Except for any Property being delivered to a customer in the ordinary course of business of such Restricted Party as part of the performance of its obligations, or the provision of its services, to such customer under a contract entered into with such customer in the ordinary course of business of such Restricted Party, move any Property from a jurisdiction in which the Encumbrance of the Security over such Property is perfected to a jurisdiction where such Encumbrance is not perfected or where, after a temporary period allowing for registration in such other jurisdiction, such Encumbrance could become unperfected, or suffer or permit in any other manner any of its Property to not be subject to the Encumbrance of the Security or to be or become located in a jurisdiction in which the Encumbrance of the Security over such Property is not perfected, unless the applicable Restricted Party has first (a) given prior written notice thereof to the Administrative Agent and the Collateral Agent, and (b) executed and delivered to the Administrative Agent and the Collateral Agent, as applicable, all Security and has

filed or caused to be filed all financing or registration statements, in each case, in form and substance satisfactory to the Administrative Agent and the Collateral Agent that the Administrative Agent and the Collateral Agent or their counsel, acting reasonably, from time to time deem necessary or advisable to ensure that the Security at all times constitutes a perfected first priority Encumbrance (subject only to Permitted Encumbrances) over such Property in such jurisdiction together with such supporting certificates, resolutions, opinions and other documents as the Administrative Agent and the Collateral Agent, acting reasonably, may deem necessary or desirable in connection with such security and registrations.

(16) Amendments to Organizational Documents Amend any of its Organizational Documents in a manner that would be prejudicial to the interests of the Secured Parties under the Loan Documents.

(17) Amendments to other Documents Amend, vary or alter in any way, consent to any assignment or transfer of, or waive or surrender any of its rights or entitlements under, any Deeply Subordinated Loan or Convertible Debenture (including any indenture applicable thereto).

(18) No New Subsidiaries Create any Subsidiary after the date of this Agreement unless the Administrative Agent and the Collateral Agent are provided with the acknowledgement of such Subsidiary that it has become a party to this Agreement as a Guarantor as if it had executed this Agreement on the date hereof and such new Subsidiary provides security on the same basis as if it were providing Security on the date of this Agreement (including, for certainty, the Security contemplated in Article 10) and such other Security as required by the Collateral Agent.

(19) Transactions With Affiliates. Enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with any of its Affiliates, or enter into, assume or suffer to exist any agreement or arrangement with any such Affiliate, except a transaction or agreement or arrangement which is upon fair and reasonable terms not materially less favourable to the applicable Restricted Party than it would obtain in a comparable arms-length transaction; for certainty, such restriction will apply to any transaction between the Restricted Parties. The Borrower shall provide the Administrative Agent with details and documentation, satisfactory to the Administrative Agent in its sole discretion, in respect of any transaction, agreement or arrangement between a Restricted Party and any of its Affiliates.

(20) Conversion or Amendment or Collection of Financial Assistance. (i) Elect to convert any Financial Assistance previously provided by Borrower into common equity or otherwise reduce the cash amount payable in any way, (ii) amend or extend the maturity of such Financial Assistance in any way, and (iii) fail to use all commercially reasonable efforts (including, without limitation, selling such receivable to a third party), to collect repayment in full of any such Financial Assistance at its earliest opportunity.

## **ARTICLE 10- SECURITY**

### 10.01 **Security**

As general and continuing security for the payment and performance of, *inter alia*, the Obligations the Borrower will grant, and will ensure that each Restricted Party grants, to the Collateral Agent (for the benefit of the Intercreditor Parties) the security described below:

- (a) an amended and restated demand debenture of the Borrower in the principal amount of \$1,200,000,000 secured by a fixed and specific mortgage and charge of all present and after acquired real and immoveable property described in the schedules thereto and a floating charge over all Property not subject to such fixed and specific mortgages and charges, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (b) demand debenture of each Restricted Party (other than the Borrower and Calgary Sinoenergy) in the principal amount of \$1,200,000,000 secured by a fixed and specific mortgage and charge of all present and after acquired real and immoveable property described in the schedules thereto and a floating charge over all Property not subject to such fixed and specific mortgages and charges, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (c) debenture pledge agreements from each Restricted Party other than Calgary Sinoenergy in respect of their respective amended and restated demand debentures and demand debentures, as applicable;
- (d) general security agreements from each Restricted Party other than Calgary Sinoenergy granting a security interest in all present and after acquired personal property, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (e) an assignment by each Restricted Party other than Calgary Sinoenergy of all policies of insurance and all proceeds thereunder with respect to all Property that is subject to the foregoing security and all other security hereafter granted by a Restricted Party pursuant to this Agreement, including any policies providing business interruption insurance, with the Collateral Agent named as loss payee (as its interest may appear) and additional insured, with a standard mortgage clause endorsement, and certificates evidencing all such insurance, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (f) an amended and restated subordination agreement in respect of the Deeply Subordinated Loan and Convertible Debentures in existence on the date hereof in the form attached hereto as Schedule C, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations;
- (g) an amended and restated share pledge provided by Calgary Sinoenergy in favour of the Collateral Agent, which will be held pursuant to the Collateral Agent and Intercreditor Agreement as security for, *inter alia*, the Intercreditor Obligations, pledging all of the issued and outstanding shares of the Borrower;

- (h) account control agreements in respect of all Controlled Accounts; provided that the Borrower shall furnish, to the Collateral Agent, a confirmation, acknowledgement and agreement regarding the Existing BNS Blocked Account Agreement on or prior to the Closing Date and an amendment and restatement of the Existing BNS Blocked Account Agreement no later than 15 calendar days after the Closing Date;
- (i) cash collateral agreements granted by the Borrower in favour of the Collateral Agent and/or CCB Toronto (but, subject to the Collateral Agent and Intercreditor Agreement) in respect of the face amount of the Existing Letters of Credit; and
- (j) a collateral agent and intercreditor agreement (the "**Collateral Agent and Intercreditor Agreement**") in respect of, *inter alia*, the Loan Documents described in paragraphs (a) through (i) above providing for, *inter alia*, the sharing of such Security among the Intercreditor Parties.

10.02 **After Acquired Property and Further Assurances**

Each Restricted Party will from time to time execute and deliver all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all Property acquired by any Restricted Party after the date hereof, or as may be required to properly perfect the security interest of the Collateral Agent (for the benefit of the Intercreditor Parties) in any Property, including an account control agreement in respect of any after acquired Controlled Accounts.

10.03 **Form of Security**

The Security will be in form satisfactory to the Collateral Agent, acting reasonably.

10.04 **Sharing of Security**

The Security shall at all times be subject to the Collateral Agent and Intercreditor Agreement and shall be shared equally among the Intercreditor Parties.

**ARTICLE 11- DEFAULT**

11.01 **Events of Default**

The occurrence of any one or more of the following events (each such event being referred to as an "**Event of Default**") will constitute a default under this Agreement unless such Event of Default has been waived by the Lenders:

- (a) if the Borrower fails to pay any amount of principal of any Loan when due;
- (b) if the Borrower fails to pay any interest, fees or other Obligations (other than any principal amount) within 2 Business Days of being due;
- (c) if the Borrower breaches any of the covenants in Sections 9.01(21) or 9.04;



- (d) if any Restricted Party neglects to observe or perform any covenant or obligation herein contained on its part to be observed or performed (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 11.01) and such Restricted Party fails to remedy such default within 30 days from the earlier of (i) the date such Restricted Party becomes aware of such default, and (ii) the date the Administrative Agent delivers written notice of the default to such Restricted Party;
- (e) if any (i) Restricted Party neglects to observe or perform any covenant or obligation contained in the CCB Toronto Credit Agreement or any documents related thereto or (ii) Person neglects to observe or perform any covenant or obligation contained in the SBLC's or any documents related thereto in each case, on its part to be observed or performed, after the expiry of any applicable grace period thereunder;
- (f) if any representation or warranty made by any Restricted Party in this Agreement, any Loan Document or in any certificate or other document at any time delivered hereunder to the Secured Parties proves to have been incorrect or misleading in any material respect on and as of the date that it was made or was deemed to have been made and such Restricted Party fails to remedy such default within 15 days of the occurrence of such event;
- (g) the occurrence of an event of default where the Restricted Party is the defaulting party under any Hedge Arrangement or other swap document, after the expiry of any applicable grace period thereunder;
- (h) if any Restricted Party ceases or threatens to cease to carry on business generally or admits its inability or fails to pay its Debts generally;
- (i) if any Restricted Party (i) fails to make any payment when such payment is due and payable to any Person in relation to any Debt (other than Obligations) that in the aggregate principal amount then outstanding is in excess of Cdn. \$1,000,000 and any applicable grace period in relation thereto has expired, or (ii) defaults in the observance or performance of any other agreement or condition in relation to any Debt (other than Obligations) to any Person that in the aggregate principal amount then outstanding is in excess of Cdn. \$1,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs or condition exists, the effect of which default or other condition is to cause such Debt to become due prior to its stated maturity date;
- (j) if any Restricted Party denies, to any material extent, its obligations under any Loan Document or claims any of the Loan Documents to be invalid or withdrawn in whole or in part;
- (k) any of the Loan Documents or any material provision of any of them becomes unlawful or is changed by virtue of legislation or by a Governmental Authority, if any Restricted Party does not, within 15 Business Days of receipt of notice of such Loan Document or material provision becoming unlawful or being changed,

replace such Loan Document with a new agreement that is in form and substance satisfactory to the Collateral Agent (in the case of any Security) and the Administrative Agent (in the case of any other Loan Documents), acting reasonably, or amend such Loan Document to the satisfaction of the Collateral Agent or the Administrative Agent (as applicable), acting reasonably;

- (l) if a decree or order of a court of competent jurisdiction is entered adjudging a Restricted Party a bankrupt or insolvent or approving as properly filed a petition seeking the winding up of a Restricted Party under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the *United States Bankruptcy Code* or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of a Restricted Party or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 Business Days;
- (m) if any Restricted Party becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *United States Bankruptcy Code*, the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition;
- (n) if an Encumbrancer takes possession, by appointment of a receiver, receiver and manager or otherwise, of all or a substantial portion of the Property of any Restricted Party;
- (o) if proceedings are commenced for the dissolution, liquidation or voluntary winding up of any Restricted Party, or for the suspension of the operations of any Restricted Party unless such proceedings are being actively and diligently contested in good faith;
- (p) if a final judgment or decree for the payment of money due has been obtained or entered against the Borrower in an amount in excess of Cdn.\$1,000,000, or against any other Restricted Party in an amount that, in the reasonable opinion of the Administrative Agent and the Lenders, would materially and adversely affect the ability of any such other Restricted Party to fulfil its obligations to the Secured Parties under this Agreement or any other Loan Document, and such judgment or

decree has not been and remained vacated, discharged or stayed pending appeal within the applicable appeal period;

- (q) if (i) any Security ceases to constitute a valid and perfected first priority security interest (subject only to Permitted Encumbrances) and the applicable Restricted Party has failed to remedy such default within 10 days of becoming aware of such fact; or (ii) except to the extent waived or extended in writing by the Collateral Agent, fixed charge registrations are not completed on all real property of the Restricted Parties 90 days after the Closing Date; or
- (r) a Material Adverse Change has occurred.

#### 11.02 **Acceleration and Enforcement**

- (1) If any Event of Default occurs and is continuing:
  - (a) the outstanding principal amount of all Loans and all other Obligations will, at the option of the Lenders, become immediately due and payable with interest thereon, at the rate or rates determined as herein provided (including, for certainty, as set forth in Sections 4.02 and 4.03), to the date of actual payment thereof, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by each Restricted Party; provided, if any Event of Default described in Sections 11.01(l) or 11.01(m) with respect to the Borrower occurs, the Commitments (if not theretofore terminated) will automatically terminate and the outstanding principal amount of all Loans and all other Obligations will automatically be and become immediately due and payable; and
  - (b) the Secured Parties may, in their discretion (but subject to the Collateral Agent and Intercreditor Agreement), exercise any right or recourse and proceed by any action, suit, remedy or proceeding against any Restricted Party authorized or permitted by law for the recovery of all the Obligations to the Secured Parties and, whether or not the Lenders have exercised any of their rights under the foregoing clause (a), proceed to exercise any and all rights hereunder and under the Security.
- (2) No Secured Party is under any obligation to the Restricted Parties or any other Person (subject to the Collateral Agent and Intercreditor Agreement) to realize upon any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. No Secured Party is responsible or liable to the Restricted Parties or any other Person (subject to the Collateral Agent and Intercreditor Agreement) for any loss or damage arising from such realization or enforcement or the failure to do so or for any act or omission on its part or on the part of any director, officer, employee, agent or adviser of a Secured Party in connection with any of the foregoing.

11.03 **[Reserved]**

11.04 **Remedies Cumulative**

For greater certainty, it is expressly understood that the respective rights and remedies of the Secured Parties hereunder or under any other Loan Document or instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Secured Parties of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any other Loan Document will not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Secured Parties may be lawfully entitled in connection with such default or breach.

11.05 **Perform Obligations**

If an Event of Default has occurred and is continuing and if any Restricted Party has failed to perform any of its covenants or agreements in the Loan Documents, the Administrative Agent (on behalf of the Lenders), may, but will be under no obligation to, perform any such covenants or agreements in any manner deemed fit by the Administrative Agent (on behalf of the Lenders) without thereby waiving any rights to enforce the Loan Documents. The reasonable expenses (including any legal costs on a solicitor and his own client, full indemnity basis) paid by the Administrative Agent in respect of the foregoing will be an Obligation and will be secured by the Security.

11.06 **Third Parties**

It is not necessary for any Person dealing with the Secured Parties to inquire whether the Security has become enforceable, or whether the powers that the Secured Parties are purporting to exercise may be exercised, or whether any Obligations remain outstanding upon the security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale is to be made, or otherwise as to the propriety or regularity of any sale or other disposition or any other dealing with the collateral charged by such Security or any part thereof.

11.07 **Application of Payments**

All payments made by the Borrower hereunder or received from proceeds of the enforcement or realization of any Security will be applied to amounts due under the Intercreditor Obligations pursuant to the Collateral Agent and Intercreditor Agreement.

11.08 **Right of Set-off**

If an Event of Default has occurred and is continuing, subject to the Collateral Agent and Intercreditor Agreement, the Secured Parties and each of their Affiliates is hereby authorized at any time and from time to time, without notice to the Borrower or any other Person, to set-off and apply any and all deposits (general or special, time or demand, matured or unmatured, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Secured Parties or any such Affiliate to or for the credit or the account of any Restricted Party against any and all of the Obligations, irrespective of whether or not such

Secured Party has made any demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or are owed to a branch or office of such Secured Party or any such Affiliate different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Secured Parties and their Affiliates under this Section 11.08 are in addition to other rights and remedies (including other rights of set-off, consolidation of accounts and bankers' lien) that the Secured Parties or their Affiliates may have. The Secured Parties agree to promptly notify the Borrower after any such set-off and application, but the failure to give such notice will not affect the validity of such set-off and application.

## **ARTICLE 12 – CHANGE IN CIRCUMSTANCES AND INDEMNITIES**

### 12.01 **Increased Costs**

- (1) If any Change in Law will:
  - (a) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lenders;
  - (b) subject the Lenders to any Tax of any kind whatsoever with respect to this Agreement, or any Loan, or change the basis of taxation of payments to the Lenders in respect thereof, except for Indemnified Taxes or Other Taxes covered by Section 12.02 and the imposition, or any change in the rate, of any Excluded Tax payable by the Lenders; or
  - (c) impose on the Lenders or any applicable interbank market any other condition, cost or expense affecting this Agreement or Loans made by the Lenders;

and the result of any of the foregoing will be to increase the cost to the Lenders of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by the Lenders hereunder (whether of principal, interest or any other amount), then upon request of the Lenders the Borrower will pay to the Lenders such additional amount or amounts as will compensate the Lenders for such additional costs incurred or reduction suffered.

(2) If a Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender or its holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of its holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or its holding company for any such reduction suffered.

(3) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section

12.01(1) or 12.02(2), including reasonable detail of the basis of calculation of the amount or amounts, that is delivered to the Borrower will be conclusive absent manifest error. The Borrower will pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(4) Failure or delay on the part of a Lender to demand compensation pursuant to this Section 12.01 will not constitute a waiver of such Lender's right to demand such compensation, except that the Borrower will not be required to compensate such Lender pursuant to this Section 12.01 for any increased costs incurred or reductions suffered more than 270 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor, unless the Change in Law giving rise to such increased costs or reductions is retroactive, in which case the 270-day period referred to above will be extended to include the period of retroactive effect thereof.

## 12.02 Taxes

(1) If any Restricted Party or a Lender is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of an Restricted Party hereunder or under any other Loan Document, then (i) the sum payable will be increased by that Restricted Party when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) such Lender receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Restricted Party will make any such deductions required to be made by it under Applicable Law and (iii) the Restricted Party will pay when due the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

(2) Without limiting the provisions of Section 12.02(1), the Borrower will timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(3) The Borrower will indemnify each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by such Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by such Lender will be conclusive absent manifest error.

(4) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by an Restricted Party to a Governmental Authority, the Restricted Party will deliver to the applicable Lender(s) the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to such Lender(s).

(5) If any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which an Restricted Party has paid additional amounts pursuant to this Section 12.02 or that, because of

the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it will pay to the Borrower or other Restricted Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or Restricted Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of such Lender and without interest (other than any net after-Tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or other Restricted Party as applicable, upon the request of the applicable Lender, agrees to repay the amount paid over to the Borrower or other Restricted Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the applicable Lender if such applicable Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph will not be construed to require any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.

12.03            **Illegality**

If any Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender to make or maintain any Loan (or to maintain its obligation to make any Loan) or to determine or charge interest rates based upon any particular rate, then, on notice thereof by such Lender to the Borrower, any obligation of such Lender with respect to the activity that is unlawful will be suspended until such Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower will, upon demand from such Lender, prepay or take any necessary steps with respect to any Loan in order to avoid the activity that is unlawful. Upon any such prepayment, the Borrower will also pay accrued interest on the amount so prepaid or converted.

12.04            **[Reserved]**

12.05            **Indemnity by the Borrower**

(1) The Borrower will indemnify each Secured Party and each Related Party thereof (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel (on a solicitor and his own client, full indemnity basis) for any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Restricted Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Substance on or from any property owned or operated by any Restricted Party, or any liability under any Environmental Law related in any way to any Restricted Party, (iv) without limiting the foregoing, any inaccuracy or incompleteness of the representation and warranties contained in Section 8.01(28) hereof, (v) any failure of the Borrower or any other Restricted Party to observe or fulfil

its obligations under Section 1.05(c), or (vi) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by an Restricted Party and regardless of whether any Indemnitee is a party thereto, provided that such indemnity will not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Restricted Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Restricted Party has obtained a final and nonappealable judgment in its favour on such claim as determined by a court of competent jurisdiction, nor will an indemnity be available in respect of matters specifically addressed in Sections 12.01, 12.02 or 14.01.

(2) To the fullest extent permitted by Applicable Law, the Restricted Party will not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee will be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(3) All amounts due under Section 12.05(1) will be payable promptly after demand therefor. A certificate of the applicable Secured Party setting forth the amount or amounts owing to such Secured Party or the applicable Related Party, as the case may be, as specified in Section 12.05(1), including reasonable detail of the basis of calculation of the amount or amounts, that is delivered to the Borrower will be conclusive absent manifest error.

## **ARTICLE 13 - GUARANTEE**

### **13.01 Guarantees and Indemnity**

(1) Each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, guarantees payment of the Obligations to the Administrative Agent (for and on behalf of the Secured Parties).

(2) If any or all of the Obligations are not duly paid and are not recoverable under Section 13.01(1) for any reason whatsoever, each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, will, as a separate and distinct obligation, indemnify and save harmless the Secured Parties and each of them from and against any losses resulting from the failure of the Borrower to pay the Obligations.

(3) If any or all of the Obligations are not duly paid and are not recoverable under Section 13.01(1) or the Secured Parties are not indemnified under Section 13.01(2), in each case,



for any reason whatsoever, the Obligations will be recoverable jointly and severally from each of the Guarantors as primary obligor.

13.02            **Obligations Absolute**

The liability of each Guarantor hereunder is absolute and unconditional and is not affected by:

- (a) any lack of validity or enforceability of this Agreement or any other Loan Document;
- (b) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of Governmental Authority;
- (c) the bankruptcy, winding up, liquidation, dissolution, arrangement, insolvency or other similar proceeding affecting the Borrower or any other Person, the amalgamation of or any change in the status, function, control or ownership of the Borrower, any Guarantor or any other Person;
- (d) any lack or limitation of power, incapacity or disability on the part of the Borrower or of the directors, partners or agents thereof or any other irregularity, defect or informality on the part of the Borrower in its Obligations; or
- (e) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of any or all of the Obligations.

13.03            **No Release**

The liability of each Guarantor hereunder is not released, discharged, limited or in any way affected by anything done, suffered or permitted by the Secured Parties or any other Person in connection with any duties or liabilities of the Borrower to the Secured Parties or any Security, including any loss of or in respect of any Security. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the liability of any Guarantor hereunder, without obtaining the consent of or giving notice to any Guarantor, the Secured Parties may:

- (a) discontinue, reduce, increase or otherwise vary the credit of the Borrower in any manner whatsoever;
- (b) make any change in the time, manner or place of payment under, or in any other term of, any Loan Document or the failure on the part of the Borrower to carry out any of its obligations under any Loan Document;
- (c) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (d) take or abstain from taking or enforcing the Security or from perfecting Security;

- (e) accept compromises from the Borrower;
- (f) apply all money at any time received from the Borrower or from the Security upon such part of the Obligations as the Secured Parties may see fit or change any such application in whole or in part from time to time as each of them may see fit; and
- (g) otherwise deal with the Borrower and all other Persons and the Security as the Secured Parties may see fit.

13.04 **No Exhaustion of Remedies**

The Secured Parties are not bound or obligated to exhaust their recourse against the Borrower or other Person or any Security they may hold, or take any other action before the Administrative Agent is entitled to demand payment from any Guarantor hereunder.

13.05 **Prima Facie Evidence**

Any account settled or stated in writing by or between a Secured Party and the Borrower will be prima facie evidence that the balance or amount thereof appearing due to such Secured Party is so due.

13.06 **No Set-Off**

In any claim by a Secured Party or any of them against any Guarantor, such Guarantor may not assert any set-off or counterclaim that either such Guarantor or the Borrower may have against such Secured Party.

13.07 **Continuing Guarantee**

The Obligations of each Guarantor hereunder will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Secured Parties and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to any such Person. The Obligations of each Guarantor hereunder will continue to be effective even if at any time any payment of any of the Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the recipient of such payment upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

13.08 **Waivers by Guarantors**

Each Guarantor hereby irrevocably waives acceptance hereof, presentation, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Guarantor, the Borrower or any other Person.

13.09            **Demand**

Each Guarantor will make payment to the Administrative Agent (for and on behalf of the Secured Parties) of the full amount of the Obligations and all other amounts payable by it hereunder forthwith after demand therefor is made to it. Each Guarantor will also make payment to the Administrative Agent (for and on behalf of the Secured Parties) of all costs and expenses incurred by the Secured Parties or any of them in enforcing the provisions of this Article 13.

13.10            **Interest**

Each Guarantor will pay interest to the Secured Parties at the rates set forth in Sections 4.02 and 4.03 on the unpaid portion of all amounts payable by such Guarantor hereunder, such interest to accrue from and including the date of demand on the Guarantor, and will be compounded monthly.

13.11            **Subrogation; Contribution**

No Guarantor will be entitled to subrogation or to contribution from the Borrower by reason of any payment hereunder until indefeasible payment in full of all Intercreditor Obligations of all Guarantors, and the termination of the Commitments. Thereafter, the Collateral Agent (for and on behalf of the Secured Parties), at each Guarantor's request and expense, will execute and deliver to such Guarantor appropriate documents, without recourse and without representation and warranty, except as to the amount owing, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Intercreditor Obligations and any Security held therefor resulting from such payment by such Guarantors.

13.12            **Stay of Acceleration**

If acceleration of the payment of any Obligations payable by any Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Guarantor or otherwise, all such Obligations otherwise subject to acceleration under the laws of any Loan Document will nonetheless be payable by each other Guarantor herewith in accordance with the terms hereof.

**ARTICLE 14- GENERAL**

14.01            **Costs and Expenses**

The Borrower will pay (i) all reasonable out-of-pocket expenses incurred by the Secured Parties, including the reasonable fees, charges and disbursements of Lenders' Counsel (on a solicitor and his own client, full indemnity basis), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby will be consummated) and (ii) all reasonable out-of-pocket expenses incurred by the Secured Parties including the reasonable fees, charges and disbursements of Lenders' Counsel (on a solicitor and his own client, full indemnity basis), in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section 14.01, or in connection with the

Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

14.02 **Governing Law, Jurisdiction, Etc.**

(1) This Agreement and each other Loan Document (unless otherwise specified in such Loan Document) will be governed by, and construed in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein.

(2) The Borrower and each other Restricted Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the Province of Alberta and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court. The Borrower and each other Restricted Party agrees that a final judgment in any such action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document will affect any right that the Administrative Agent and/or the Collateral Agent (in each case on behalf of the Secured Parties) may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower, any other Restricted Party or their properties in the courts of any jurisdiction.

(3) The Borrower and each other Restricted Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 14.02(2). The Borrower and each other Restricted Party hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

14.03 **Judgment Currency**

(1) If for the purpose of obtaining or enforcing judgement against a Restricted Party in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 14.03 referred to as the "**Judgment Currency**") an amount due in Canadian Dollars or United States Dollars under this Agreement, the conversion will be made at the rate of exchange prevailing on the Business Day immediately preceding:

- (a) the date of actual payment of the amount due, in the case of any proceeding in the courts of any jurisdiction that will give effect to such conversion being made on such date, or
- (b) the date on which the judgement is given, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 14.03(1)(b) being hereinafter in this Section 14.03 referred to as the "**Judgment Conversion Date**").

(2) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 14.03(1)(b), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the Borrower will pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian Dollars or United States Dollars, as the case may be, which could have been purchased with the amount of Judgment Currency stipulated in the judgement or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

(3) Any amount due from a Restricted Party under the provisions of Section 14.03(2) will be due as a separate debt and will not be affected by judgement being obtained for any other amounts due under or in respect of this Agreement.

(4) The term "rate of exchange" in this Section 14.03 means:

- (a) for a conversion of Canadian Dollars to the Judgment Currency, the reciprocal of the Spot Rate for the date in question for the conversion of the Judgment Currency to Canadian Dollars;
- (b) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is Canadian Dollars, the Spot Rate for the date in question for the conversion of United States Dollars to Canadian Dollars;
- (c) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is not Canadian Dollars, the effective rate obtained when a given amount of United States Dollars is converted to Canadian Dollars at the rate determined pursuant to Section 14.03(4)(b) and the result thereof is then converted to the Judgment Currency pursuant to Section 14.03(4)(a); or
- (d) if a required rate is not so published by the Bank of Canada for any such date, the spot rate quoted by the Administrative Agent at approximately noon (Toronto time) on that date in accordance with its normal practice for the applicable currency conversion in the wholesale market.

#### 14.04 **Confidentiality**

(1) The Secured Parties agree to maintain the confidentiality of the Information (as defined in Section 14.04(2) below), except that Information may be disclosed (a) to their Affiliates and their Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over such Secured Party (including any self-regulatory authority), (c) to the extent required by Applicable Law or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 14.04(1), to (i) any assignee of or

Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap, derivative, credit-linked note or similar transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 14.04(1) or (y) becomes available to the Secured Parties on a non-confidential basis from a source other than the Borrower.

(2) For purposes of this Section, "Information" means all information received in connection with this Agreement from the Borrower relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Secured Parties on a non-confidential basis prior to such receipt. Any Person required to maintain the confidentiality of Information as provided in Section 14.04(1) will 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 to its own confidential information.

14.05 **Benefit and Burden of Agreement**

This Agreement will be binding upon the Restricted Parties and their successors. This Agreement will enure to the benefit of and will be binding upon the Secured Parties and their respective successors and assigns.

14.06 **No Assignment by the Borrower**

The rights and benefits of the Borrower hereunder may not be assigned by the Borrower.

14.07 **Assignment or Participation by Lender**

(1) The rights, benefits and obligations of a Lender under or in respect of this Agreement (the "**Rights**") may, in whole or in part be assigned ("**Assign**", "**Assigned**" or an "**Assignment**") by a Lender with one or more Persons (each an "**Assignee**", as the case may be). The Rights may, in whole or in part, be or participated ("**Participated**" or a "**Participation**") to a participant (a "**Participant**") at any time, or Assigned by a Lender with one or more Participants or Assignees without notice to or the consent of the Borrower. For purposes of this Section, "**Assigning Lender**" means a Lender making an Assignment or granting a Participation. An Assignment or Participation as aforesaid will become effective upon execution of the applicable documentation by the applicable Assigning Lender and the Participant or Assignee, as the case may be and delivery of the same to the Administrative Agent (in form and substance satisfactory to the Administrative Agent). The Borrower will execute all such further documentation as the applicable Assigning Lender may request with respect to any Assignment or Participation and any prospective Assignee will execute such documentation as the Administrative Agent may reasonably request for the purpose of ensuring that the Assignee is bound by the terms of this Agreement.

(2) Any Assignee of Rights will be and be treated in respect of such Rights as if it were the Assigning Lender for all purposes of this Agreement, will be entitled to the benefit hereof, and will be subject to the obligations of the Assigning Lender in respect of such Rights, to the same

extent as if it were an original party in respect of the Rights and the Assigning Lender assigning such Rights will be released and discharged from its obligations hereunder in respect of such assigned Rights. To the extent that the Rights are the subject of a Participation, all references in this Agreement to the Assigning Lender will, with respect to such Rights that are subject to the Participation, continue to be construed as a reference to the Assigning Lender, and the Borrower will be entitled to deal with the Assigning Lender as if it were the sole owner of the Rights and the Assigning Lender will not be released from obligations hereunder by virtue of the Participation. The Borrower acknowledges and agrees that the Assigning Lender will be entitled, in its own name, to enforce for the benefit of, or as agent for, any Participants, any and all rights, claims and interests of such Participants, in respect of the Rights and that Participants will not be entitled to demand payment or exercise any other right or remedy pursuant hereto.

(3) For the purposes of any Assignment or Participation hereunder, the Assigning Lender may disclose on a confidential basis to a potential Assignee or Participant such information about the Borrower as the Assigning Lender may see fit, provided that such potential Assignee or Participant has executed a confidentiality agreement in favour of the Assigning Lender.

#### 14.08 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient at the address or telecopier number set forth on the signature pages to this Agreement, or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof or, if given by registered mail, on the third Business Day following the deposit thereof in the mail or, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

#### 14.09 **Effect of Assignment**

For greater certainty, an assignment by a Lender of its rights hereunder will not constitute a repayment, discharge, rescission, extinguishment or novation of any Loan or interest therein, and the obligations so assigned shall continue to be the same obligations and not new obligations.

#### 14.10 **Survival**

The provisions of Section 12.05 and 14.01 will survive the repayment of all Loans and all other Obligations whether on account of principal, interest or fees, and the termination of this Agreement, unless a specific release of such provisions by the Administrative Agent (on behalf of the Lenders) is delivered to the Borrower.

14.11 **Severability**

If any provision of this Agreement is determined by any court of competent jurisdiction to be illegal or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either of the parties.

14.12 **Further Assurances**

Each Restricted Party and each Secured Party will promptly cure any default by it in the execution and delivery of this Agreement, the Loan Documents or of any the agreements provided for hereunder to which it is a party. The Restricted Parties, at the Borrower's expense, will promptly execute and deliver to the Administrative Agent, upon request by the Administrative Agent, all such other and further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the applicable Restricted Party hereunder or more fully to state the obligations of the applicable Restricted Party as set forth herein or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

14.13 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Borrower, the Administrative Agent and each other Secured Party. No waiver of any breach of any provision of this Agreement and no consent required hereunder will be effective or binding unless made in writing and signed by the party purporting to give the same. Unless otherwise provided, any waiver or consent given hereunder will be limited to the specific breach waived or matter consented to, as the case may be, and may be subject to such conditions as the party giving such waiver or consent considers appropriate.

14.14 **Time of the Essence**

Time is of the essence of this Agreement.

14.15 **Acknowledgement and Consent to Bail-In of Affected Financial Institutions.**

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and



(b) the effects of any Bail-In Action on any such liability, including, if applicable:

- (i) a reduction in full or in part or cancellation of any such liability;
- (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
- (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

#### 14.16 **Anti-Money Laundering Legislation**

The Borrower acknowledges that, pursuant to the requirements of Anti-Money Laundering/ Anti-Terrorist Financing Laws and "know your client" laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "**AML Legislation**"), the Lenders may be required to obtain, verify and record information regarding the Restricted Parties, their respective directors, authorized signing officers, direct or indirect shareholders or unitholders or other Persons in control of any Restricted 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 the Lenders, or any prospective assignee of a Lender, 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.

### **ARTICLE 15- THE ADMINISTRATIVE AGENT**

#### 15.01 **Appointment of Administrative Agent**

Each Lender hereby designates China Construction Bank Toronto Branch as Administrative Agent to act as herein specified and as specified in the other Loan Documents. Each Lender hereby irrevocably authorizes the Administrative Agent to take such action on its behalf under the provisions of the Loan Documents and to exercise such powers and to perform such duties thereunder as are specifically delegated to or required of the Administrative Agent by the terms thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder by or through its agents or employees. Each Secured Party hereby (a) irrevocably authorizes and directs the Administrative Agent to execute and deliver the Collateral Agent and Intercreditor Agreement on behalf of such Secured Party (other than the Collateral Agent), and (b) agrees that the Collateral Agent and Intercreditor Agreement shall be a binding obligation of such Secured Party, enforceable against it in accordance with its terms. The provisions of this Article 15 are solely for the benefit of the Administrative Agent and the Secured Parties, and neither the Borrower nor any other Restricted Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" as used herein or in any other Loan Document (or any

similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

15.02      **Limitation of Duties of Administrative Agent.**

The Administrative Agent shall have no duties or responsibilities except those expressly set out with respect to the Administrative Agent in this Agreement and as specified in the other Loan Documents. None of the Administrative Agent, nor any of its Related Parties shall be liable for any action taken or omitted by it as such hereunder or in connection herewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have, by reason of this Agreement or the other Loan Documents, a fiduciary relationship in respect of any Secured Party. Nothing in this Agreement or the other Loan Documents, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement except as expressly set out herein. The Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to this Agreement or the other Loan Documents unless it is requested in writing to do so by the Lenders.

15.03      **Lack of Reliance on the Administrative Agent.**

(a)      *Independent Investigation.* Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business. Independently, and without reliance upon the Administrative Agent, each Lender, to the extent it deems appropriate, has made and shall continue to make (a) its own independent investigation of the financial condition and affairs of the Restricted Parties in connection with the taking or not taking of any action in connection herewith, and (b) its own appraisal of the creditworthiness of the Restricted Parties, and, except as expressly provided in this Agreement and the other Loan Documents, the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the consummation of the transactions and loans contemplated hereby or at any time or times thereafter.

(b)      *Agents Not Responsible.* The Administrative Agent shall not be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, priority or sufficiency of this Agreement or the other Loan Documents or the financial condition of the Restricted Parties or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or the other Loan Documents, or the financial condition of the Restricted Parties, or the existence or possible existence of any Default or Event of Default.

15.04 **Certain Rights of the Administrative Agent.**

If the Administrative Agent shall request instructions from the Lenders with respect to any act or action (including the failure to act) in connection with this Agreement or the other Loan Documents, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received written instructions from the Lenders, and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting under this Agreement and the other Loan Documents in accordance with the instructions of the Lenders.

15.05 **Reliance by Administrative Agent.**

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, electronic mail, order or other documentary teletransmission, telephone message, Internet or intranet website posting or other distribution believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

15.06 **Indemnification of Administrative Agent.**

To the extent the Administrative Agent is not reimbursed and indemnified by the Borrower and the other Restricted Parties, each Lender shall reimburse and indemnify the Administrative Agent, in proportion to the aggregate percentage of such Lender's Commitment (determined by dividing such Lender's individual Commitment by the aggregate Commitments of all the Lenders hereunder), for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including reasonable counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in performing its duties hereunder, in any way relating to or arising out of this Agreement or any other Loan Document; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence (it being acknowledged that ordinary negligence does not necessarily constitute gross negligence) or willful misconduct.

15.07 **The China Construction Bank Toronto Branch in its Individual Capacity.**

If applicable, with respect to its obligations under the CCB Toronto Credit Agreement and the loans made by it thereunder, CCB Toronto may exercise its rights and powers thereunder as though it were not performing the duties, if any, specified herein. CCB Toronto may accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with the Borrower or any Affiliate of the Borrower as if it were not performing the duties, if any, specified herein, and may accept fees and other consideration from the Borrower for services in connection with the CCB Toronto Credit Agreement and otherwise without having to account for the same to the Lenders.

15.08 **May Treat Lender as Owner.**

The Borrower and the Administrative Agent may deem and treat each Lender as the owner of the Loans recorded in the books of account maintained by the Administrative Agent pursuant to Section 2.10(1) for all purposes hereof until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of a Loan shall be conclusive and binding on any subsequent owner, transferee or assignee of such Loan.

15.09 **Successor Administrative Agent.**

(a) *Replacement of Administrative Agent.* The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Lenders shall have the right, upon five Business Days' notice to the Borrower, to appoint a successor Administrative Agent (who shall not be a non-resident of Canada within the meaning of the *Income Tax Act*), subject to the approval of the Borrower, such approval not to be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation of the retiring Administrative Agent, then, upon five Business Days' notice to the Borrower, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent (subject to approval of the Borrower, such approval not to be unreasonably withheld), which shall be a financial institution organized under the laws of Canada.

(b) *Rights, Powers, etc.* Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

15.10 **No Independent Legal Action.**

Notwithstanding that any debt arising hereunder to a Lender shall be separate and independent debt, no Lender may take any independent legal action to enforce any obligation of a Restricted Party hereunder. Each Lender hereby acknowledges that, to the extent permitted by Applicable Law, the Security and the remedies provided thereunder to the Secured Parties are for the benefit of the Secured Parties collectively and acting together and not severally, and further acknowledges that each Secured Party's rights hereunder and under the Security Documents are to be exercised collectively, not severally, upon the decision of the Lenders by the Administrative Agent, in the case of this Agreement and the other Loan Documents (other than the Security), and the Collateral Agent pursuant to the Collateral Agent and Intercreditor Agreement, in the case of the Security. Accordingly, notwithstanding any of the provisions contained herein or in the Security or other Loan Documents, each of the Lenders hereby covenants and agrees that it and its Related Parties shall not be entitled to take any action hereunder or thereunder, including any declaration of default hereunder or thereunder, but that any such action shall be taken only by the Administrative Agent and the Collateral Agent (as applicable) with the prior written agreement of the Lenders (subject to the Collateral Agent and Intercreditor Agreement); in each case, provided that, notwithstanding the foregoing, in the absence of instructions from the Lenders and where in the sole opinion of the Administrative Agent and/or the Collateral Agent the exigencies of the situation so warrant such action, the Administrative Agent and/or the Collateral Agent, as the case may be, may without notice to or consent of the Lenders take such action on behalf of the Secured Parties as it deems appropriate or desirable in the interests of the Secured Parties, subject to the Collateral Agent and Intercreditor Agreement. Each Lender hereby further covenants and agrees that upon any such written consent being given by the Lenders, it and its Related Parties shall co-operate fully with the Administrative Agent and the Collateral Agent, as applicable, to the extent requested by the Administrative Agent and the Collateral Agent, as applicable, and each Lender further covenants and agrees that all proceeds from the realization of the Security, to the extent permitted by Applicable Law, are held for the benefit of all of the Secured Parties and shall be shared among them in accordance with this Agreement and the Collateral Agent and Intercreditor Agreement, and each Lender acknowledges that all costs of any such realization (including all amounts for which the Administrative Agent and/or the Collateral Agent are required to be indemnified under the provisions hereof and the Collateral Agent and Intercreditor Agreement) shall be shared among the Lenders in accordance with this Agreement. Each Lender covenants and agrees to do, and to cause its Related Parties to do, all acts and things and to make, execute and deliver all agreements and other instruments, so as to fully carry out the intent and purpose of this Section 15.10, and each Lender hereby covenants and agrees that it and its Related Parties shall not (i) seek, take, accept or receive any Encumbrance (other than a right of set-off) or guarantee for any of the Obligations other than those that are provided to the Administrative Agent and/or the Collateral Agent, as applicable, and which are subject to the Collateral Agent and Intercreditor Agreement, or (ii) enter into any other agreement with any of the Restricted Parties relating in any manner whatsoever to the Credit Facility unless all of the Lenders shall at the same time obtain the benefit of any such agreement.

15.11 **Legal Status of China Construction Bank Branches.**

The parties acknowledge that China Construction Bank Corporation, Qingdao Branch ("CCBQ"), on the one hand, and the Collateral Agent and the Administrative Agent, on

the other hand, are different branches of the same bank, and that all rights and obligations hereunder of each of them will be enjoyed and performed by those branches as though they were separate legal entities. To the extent that CCBQ, on the one hand, and the Collateral Agent and the Administrative Agent, on the other hand, have any rights or obligations hereunder or otherwise in respect of the subject matter of this Agreement purporting to be between them, each of CCBQ, the Collateral Agent and the Administrative Agent will take all internal steps necessary to ensure that they are acted upon as though they were legally enforceable against one another. Any disputes between CCBQ, on the one hand, and the Collateral Agent and the Administrative Agent, on the other hand, in connection with the subject matter of this Agreement shall be resolved by the most senior officer of each branch reaching agreement as to the resolution.

**[Signature pages follow]**

IN WITNESS WHEREOF the parties have executed this Agreement.

**BORROWER:**

Address: Eau Claire Tower **LONG RUN EXPLORATION LTD.**  
600, 600 3rd  
Avenue SW  
Calgary, Alberta  
T2P 0G5

Attention: Chief Executive  
Officer

Facsimile No.: (403) 262-5561

By: 

Name: Jason Ge  
Title: Chief Executive Officer

By: \_\_\_\_\_

Name:  
Title:

**GUARANTORS:**

Address: Eau Claire Tower **CALGARY SINOENERGY INVESTMENT**  
600, 600 3rd **CORP.**  
Avenue SW  
Calgary, Alberta  
T2P 0G5

Attention: Chief Executive  
Officer

Facsimile No.: (403) 262-5561

By: 

Name: Yajie (Lily) Hu  
Title: Director

By: \_\_\_\_\_

Name:  
Title:

**ADMINISTRATIVE AGENT:**

Address: 3650 – 181 Bay  
Street  
Toronto, ON  
M5J 2T3

**CHINA CONSTRUCTION BANK  
TORONTO BRANCH, as  
Administrative Agent**

Attention: Ziqing Zou (Eddie)  
Senior Vice  
President,  
Corporate Banking

Facsimile No.: (647) 777-7739

By: 

Name: Chaoyong Gong

Title: Deputy General Manager

By: 

Name: Ziqing Zou (Eddie)

Title: Senior Vice President - Corporate Banking



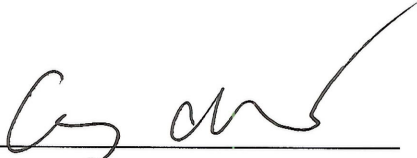
**COLLATERAL AGENT:**

Address: 3650 – 181 Bay  
Street  
Toronto, ON  
M5J 2T3


**CHINA CONSTRUCTION BANK  
TORONTO BRANCH, as Collateral  
Agent**

Attention: Ziqing Zou (Eddie)  
Senior Vice  
President,  
Corporate Banking

Facsimile No.: (647) 777-7739

By: 

Name: Chaoyong Gong  
Title: Deputy General Manager

By: 

Name: Ziqing Zou (Eddie)  
Title: Senior Vice President - Corporate Banking

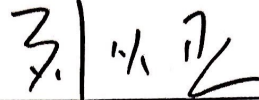
**LENDER:**

Address: No. 222 Shenzhen  
Road, Qingdao,  
China 266061  
Attention: Cong Huang  
Deputy Branch  
Manager (Sifang  
Sub Branch)

**CHINA CONSTRUCTION BANK  
CORPORATION, QINGDAO  
BRANCH, as Lender**

Facsimile No.: 86-0532-83950386

By:



Name: Congzheng Liu

Title: Deputy Chief Manager

By:

Name:

Title:

Acknowledged as of the date first written above.

Address: 26 Chongqing  
Road South  
Shibei District,  
Qingdao, China  
Attention: Cong Huang  
Deputy Branch  
Manager (Sifang  
Sub Branch)

**CCB QINGDAO SIFANG SUB-  
BRANCH**

Facsimile No.: 86-0532-83950386

By:



Name: Zhenqin Shan  
Title: Branch Manager

By:

Name:  
Title:

**Schedule A**  
**Commitments**

Commitments

Lender	Credit Facility	Total Commitment
China Construction Bank Corporation, Qingdao Branch	Cdn. \$242,950,808.57	Cdn. \$\$242,950,808.57

## Schedule B

### **Deeply Subordinated Loans and Convertible Debentures**

#### Deeply Subordinated Loans

\$466,148,563 owing to Calgary Sinoenergy Investment Corp. as at June 30, 2020 (including \$23,634,752 owing as interest on the Convertible Debenture described below) pursuant to the loan facility agreement between Long Run Exploration Ltd., as borrower, and Calgary Sinoenergy Investment Corp., as lender, dated June 29, 2016, as amended pursuant to a first amending agreement to the Long Run Exploration loan facility agreement made effective as of August 29, 2016, a second amending agreement made effective as of January 31, 2017 and a third amending agreement made effective as of the date hereof. Additional interest amounts have accrued since.

#### Convertible Debentures

\$71,495,615 owing to Calgary Sinoenergy Investment Corp. as at June 30, 2020 pursuant to the convertible debenture indenture between Long Run Exploration Ltd. and AST Trust Company (Canada), dated as of January 28, 2014 as amended by a first supplemental indenture and supplemental debenture made effective as of January 30, 2019, and as evidenced by Certificate No. 003 with CUSIP 54287VAA0.

**Schedule C**

**Form of Subordination Agreement**

See attached.

## **AMENDED AND RESTATED SUBORDINATION AND POSTPONEMENT AGREEMENT**

**THIS AMENDED AND RESTATED SUBORDINATION AND POSTPONEMENT AGREEMENT** is made as of the 27 day of October, 2020 among China Construction Bank Toronto Branch in its capacity described in Section 31 (in such capacity, the "**Collateral Agent**"), Long Run Exploration Ltd. (the "**Debtor**") and Calgary Sinoenergy Investment Corp. (the "**Subordinated Lender**");

**AND WHEREAS** (1) certain of the Beneficiaries have agreed to make loans or advances and otherwise extend credit to one or more of the Restricted Parties pursuant to the terms of the Senior Debt Documents to which they are a party and may hereafter extend credit to one or more of the Restricted Parties pursuant to the Senior Debt Documents; (2) the Restricted Parties may become liable to certain of the Beneficiaries for certain reimbursement and indemnity obligations pursuant to the terms of the Senior Debt Documents to which they are a party; and (3) the Restricted Parties may otherwise hereafter become further indebted to the Beneficiaries;

**AND WHEREAS** in connection with the Senior Debt Documents, the Restricted Parties have granted, and in the future may grant, the Senior Security in favour of the Beneficiaries;

**AND WHEREAS** it is a requirement of certain Senior Debt Documents that the Subordinated Lender, *inter alia*, unconditionally and irrevocably (a) subordinate and postpone the Subordinated Debt to the indefeasible payment in full by the Restricted Parties of the Senior Debt and (b) subordinate the Subordinated Security to the Senior Security;

**NOW THEREFORE** in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by each of the parties hereto, the parties make the following covenants, acknowledgments and agreements:

### 1. **Defined Terms.**

Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined herein shall have the meanings provided in the Collateral Agent and Intercreditor Agreement. References in this Agreement to any agreement shall be deemed to be a reference to such agreement as amended, supplemented, substituted or replaced from time to time. In this Agreement, unless something in the subject matter or context is inconsistent therewith:

- (a) "**Agreement**" means this Amended and Restated Subordination and Postponement Agreement (as the same may be further amended, modified, supplemented, restated or replaced in writing from time to time) and all the schedules and other documents delivered according to a requirement of this Agreement; this Agreement is sometimes also referred to by the terms "hereof", "hereunder", "herein" or similar terms.
- (b) "**Bankruptcy Law**" means, collectively: (a) the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time and any successor act or statute, (b) the *Companies' Creditors Arrangement Act* (Canada), as amended from time to time and any successor act or statute, (c) the *Winding-up and Restructuring Act* (Canada), as amended from time to time and any successor act or statute, and (d) any similar laws or any corporate law in any jurisdiction including, without limitation, any laws relating

to assignments for the benefit of creditors, a stay of proceedings, formal or informal moratorium, compositions, extensions generally with creditors, or proceedings seeking reorganization, restructuring, recapitalization, arrangement or other similar relief, any law permitting the appointment of a receiver, interim receiver, receiver manager or other person having similar powers and any law of any jurisdiction permitting a debtor to obtain a stay or a compromise of the claims of its creditors.

- (c) **"Beneficiaries"** means, collectively, the Collateral Agent and the other Secured Parties (under and as defined in the Collateral Agent and Intercreditor Agreement) and **"Beneficiary"** means any of the Secured Parties (under and as defined in the Collateral Agent and Intercreditor Agreement).
- (d) **"Collateral"** means, in respect of any Person, all of its undertaking, property and assets (whether real or personal, tangible or intangible, and wherever located) now owned or hereafter acquired by such Person and includes, for certainty, with respect to a Restricted Party, all "Collateral", under and as defined in the Collateral Agent and Intercreditor Agreement, of such Restricted Party. Unless stated otherwise or unless the context otherwise requires, all references herein to "Collateral" shall be deemed to be to the Collateral of the Restricted Parties.
- (e) **"Collateral Agent"** has the meaning ascribed to such term in the preamble of this Agreement, and its respective successors and assigns.
- (f) **"Collateral Agent and Intercreditor Agreement"** means the collateral agent and intercreditor agreement made as of the date hereof among the Debtor, as borrower, the Subordinated Lender, as guarantor, the Collateral Agent, as collateral agent, and certain other Beneficiaries, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions thereof.
- (g) **"Convertible Debentures"** means, collectively, any debentures issued by the Debtor to the Subordinated Lender under, pursuant to or in connection with the convertible debenture indenture between Long Run Exploration Ltd. and AST Trust Company (Canada) (as successor in interest to CST Trust Company), dated as of January 28, 2014 as amended by a first supplemental indenture and supplemental debenture made effective as of January 30, 2019, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions thereof.
- (h) **"Insolvency Proceeding"** means, as to any Person, any proceeding commenced by or against it under any provision of any Bankruptcy Law.
- (i) **"Restricted Parties"** means, collectively, the Debtor and the other "Obligors", under and as defined in the Collateral Agent and Intercreditor Agreement, other than the Subordinated Lender.
- (j) **"Senior Debt"** means the "Secured Obligations" (under and as defined in the Collateral Agent and Intercreditor Agreement).
- (k) **"Senior Debt Documents"** means the "Secured Debt Documents" under and as defined in the Collateral Agent and Intercreditor Agreement, including, for certainty, the Senior Security.



- (l) **"Senior Debt Repayment Date"** means the date on which (i) the Senior Debt has been indefeasibly paid in full, performed in full and finally satisfied and (ii) the Senior Debt Documents have been terminated and cancelled.
- (m) **"Senior Security"** means all liens, charges, pledges, security interests and other security agreements (including, for certainty, any Security Documents (under and as defined in the Collateral Agent and Intercreditor Agreement) to which a Restricted Party is a party) of any nature or kind, now held or hereafter granted to the Beneficiaries (or held by the Collateral Agent on behalf of the Beneficiaries) that secures the payment, performance or discharge of the Senior Debt.
- (n) **"Subordinated Debt"** means all indebtedness, liabilities and obligations, of any nature or kind, present or future, direct or indirect, whether revolving or term, matured or unmatured, absolute or contingent, and whether secured or unsecured, whether as primary debtor, surety or guarantor, matured or not and at any time owing by the Debtor or any other Restricted Party to the Subordinated Lender, including, for certainty, all indebtedness, liabilities and obligations arising under any Subordinated Loan Agreements (including all interest, fees and other costs arising under or in respect of any Subordinated Loan Agreements).
- (o) **"Subordinated Lender"** has the meaning ascribed to such term in the preamble of this Agreement, and its respective successors and assigns.
- (p) **"Subordinated Lender Rights"** means, collectively, all of the rights, remedies, interests and powers of the Subordinated Lender (a) under, pursuant or relating to the Subordinated Security or any other Subordinated Loan Agreements, (b) in any Insolvency Proceedings or (c) otherwise available to the Subordinated Lender pursuant to applicable laws to enforce payment and performance of the Subordinated Debt.
- (q) **"Subordinated Loan Agreements"** means, collectively, the Subordinated Loan Facility Agreement, the Convertible Debentures and all related guarantees and other agreements, instruments and other documents governing, securing or relating to any Subordinated Debt, including, for certainty, any Subordinated Security.
- (r) **"Subordinated Loan Facility Agreement"** means the loan facility agreement between Long Run Exploration Ltd., as borrower, and Calgary Sinoenergy Investment Corp., as lender, dated June 29, 2016, as amended pursuant to a first amending agreement to the Long Run Exploration loan facility agreement made effective as of August 29, 2016, a second amending agreement made effective as of January 31, 2017 and a third amending agreement made effective on or about the date hereof, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions thereof.
- (s) **"Subordinated Security"** means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now or hereafter granted to the Subordinated Lender that secures the payment, performance or discharge of the Subordinated Debt.

2. **Headings.**

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The

terms "hereof", "hereunder", and similar expressions refer to this Agreement and not to any particular Section or other portion hereof. Unless something in the subject matter of context is inconsistent therewith, references herein to Sections are to Sections of this Agreement.

3. **Extended Meanings.**

In this Agreement, words importing the singular number only include the plural and vice versa and words importing a gender includes both genders. The term "including" means "including without limiting the generality of the foregoing".

4. **Statutory References.**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute and now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulation thereunder.

5. **References to Agreements.**

Each reference in this Agreement to any agreement (including this Agreement and any other defined term that is an agreement) shall be construed so as to include such agreement (including any attached schedules) and each amendment, supplement, amendment and restatement, novation and other modification made to it from time to time.

6. **Subordination and Postponement.**

- (a) The Subordinated Lender hereby covenants and agrees that all Subordinated Debt (and payment and performance thereof) is hereby unconditionally and irrevocably deferred, postponed and, together with the Subordinated Security, subordinated in all respects (in favour of the Beneficiaries) to the prior indefeasible repayment, performance in full and final satisfaction of all the Senior Debt. Each party hereto acknowledges, consents and agrees to the foregoing.
- (b) Without limiting the generality of the foregoing, the deferment, postponement and subordination of the provisions contained herein will be effective notwithstanding:
  - (i) the dates of any advances (or the creation of any other indebtedness, obligations or liabilities) secured by the Senior Security;
  - (ii) the time or sequence of giving any notice or the making of any demand in respect of the Subordinated Debt, the Senior Debt, the Senior Security, the Subordinated Security or any other Senior Debt Documents or Subordinated Loan Agreements or the attachment, registration, perfection or crystallization of the security constituted by the Senior Security or the Subordinated Security;
  - (iii) that any of the Senior Security shall be defective, unperfected or unenforceable for any reason whatsoever;
  - (iv) the method of perfection of the Senior Security;
  - (v) the provisions of the Senior Security or the Subordinated Security;
  - (vi) any invalidity or unenforceability of, or any limitation on, the liability of the Debtor or any other Restricted Party;

- (vii) any defense, compensation, set off or counterclaim which the Debtor or any other Restricted Party may have or assert;
- (viii) any Insolvency Proceeding of any person or entity;
- (ix) the taking of any collection, enforcement or realization proceedings pursuant to the Senior Security, the Senior Debt, the Subordinated Security or the Subordinated Debt;
- (x) the date of obtaining any judgment or the order of any bankruptcy court or any court administering an Insolvency Proceeding as to the entitlement of the Collateral Agent (or any other Beneficiary) or the Subordinated Lender to any money or property of any Restricted Party;
- (xi) the giving or failing to give any notice, or the sequence of giving any notice to the Subordinated Lender including the giving or failing to give notice of the acquisition of any additional Senior Security;
- (xii) the failure to exercise any power or remedy reserved to the Collateral Agent (or any other Beneficiary) under the Collateral Agent and Intercreditor Agreement, under any Senior Security or any other Senior Debt Documents, or to insist upon a strict compliance with any of the terms thereof;
- (xiii) the date or dates of any default by the Debtor or any other Restricted Party in respect of the Senior Debt or any default under the Senior Security;
- (xiv) the rules of priority established under applicable law;
- (xv) any waiver, consent, extension, indulgence or other action, inaction or omission by or on behalf of any Beneficiary under or in respect of this Agreement, the Collateral Agent and Intercreditor Agreement, the other Senior Debt Documents, the Senior Debt or the Senior Security;
- (xvi) the lack of authority or revocation thereof by any other party;
- (xvii) any defence based upon an election of remedies by or on behalf of any Beneficiary which destroys or otherwise impairs the subrogation rights of the Subordinated Lender to proceed against any Restricted Party for reimbursement;
- (xviii) any merger, consolidation or amalgamation of the Subordinated Lender, or any Restricted Party into or with any other person or entity; or
- (xix) any other fact, matter or defect whatsoever that, except for this Agreement, would impact on the respective priorities of the Senior Security or the Subordinated Security, or the order and timing of payment of the Senior Debt or the Subordinated Debt.

7. **No Repayment of Subordinated Debt.**

Until the Senior Debt Repayment Date, no direct or indirect (including by way of set-off) distribution, payment (including, but not limited to, principal, interest, fees and costs), prepayment or repayment on account of, consideration for the reduction of, or other distribution in respect of,

the Subordinated Debt shall be made or granted by, or on behalf of, the Debtor or any other Restricted Party or received by, or on behalf of, the Subordinated Lender, unless otherwise expressly permitted pursuant to the terms of the Senior Debt Documents.

8. **Restriction on Enforcement.**

So long as any Senior Debt is outstanding and until the Senior Debt Repayment Date, the Subordinated Lender shall not:

- (a) enforce or exercise, or seek to enforce or exercise, any remedies under any Subordinated Security or any other Subordinated Loan Agreements or take any proceedings in connection therewith;
- (b) institute or commence, or join with any other person in instituting or commencing, any Insolvency Proceedings or take any steps or proceedings in connection therewith; or
- (c) institute or commence any action or proceeding to enforce, collect or receive payment of any Subordinated Debt or exercise any Subordinated Lender Rights to enforce payment of any Subordinated Debt, including any action of enforcement, realization, foreclosure, collection, seizure, garnishment or execution (in any case in respect of the Collateral and, for certainty, whether as a secured or unsecured creditor).

9. **Subordinated Security.**

- (a) The Subordinated Lender hereby:
  - (i) acknowledges and agrees that (A) the Subordinated Security shall rank subordinate to and is hereby postponed to the Senior Security and (B) the Senior Security has priority over the Subordinated Security, in each case, in all respects, including, without limitation, as they relate to the rights and interests created in the Collateral thereby;
  - (ii) postpones and subordinates the mortgages, charges, liens, assignments and security interests created in the Collateral by the Subordinated Security to the mortgages, charges, liens, assignments and security interests in such Collateral created by the Senior Security; and
  - (iii) agrees to ratify and confirm the subordination and postponement set out above from time to time in favour of the Collateral Agent (for the benefit of the Beneficiaries) as required by the Collateral Agent (in its sole discretion), following the written request of the Collateral Agent therefor.
- (b) The Subordinated Lender agrees and covenants that it will (i) not seek or obtain from the Debtor or any Restricted Party any lien, charge, or security interest for the payment of or performance of any obligations owing to the Subordinated Lender, including in respect of the Subordinated Debt, other than the Subordinated Security and (ii) without limiting Sections 6(b) and 9(a) above, provide the Collateral Agent with not less than 60 days' prior written notice of its intention to effect (A) any registrations made at any personal property registry in respect of the Subordinated Security in any jurisdiction or (B) any specific registrations of the Subordinated Security against any petroleum or natural gas leases or other individual parcels or leases of real property or interests

in land, together with true and complete copies of the Subordinated Security to be registered by it, including complete copies of the land schedules with all information required for such registrations. For certainty, any fixed charge security registered in favour of the Subordinated Lender shall be subject to the security subordinations provided herein. As of the date hereof, the only registrations made by the Subordinated Lender of the type contemplated in subparagraph (A) above are registrations 16062938126 and 16062938173 against the Debtor at the Personal Property Registry of Alberta and no registrations of the type contemplated in subparagraph (B) above have been made by the Subordinated Lender against the Debtor or any other Restricted Party.

- (c) The Subordinated Lender agrees that any and all payments, distributions and proceeds of Collateral or distributions paid to creditors in the course of any Insolvency Proceeding, insurance proceeds, expropriation proceeds and any other proceeds of realization from or relating to the enforcement of any Senior Security or Subordinated Security against any and all Collateral, as applicable, shall be paid to the Collateral Agent (on behalf of the Beneficiaries) until the Senior Debt Repayment Date.
- (d) Each Restricted Party hereby acknowledges and agrees: (i) that it has taken notice of the foregoing subordination and postponement of claim by the Subordinated Lender and expressly consents thereto; (ii) that it will not deliver to the Subordinated Lender any lien, charge or security interest for the payment, performance or discharge of its obligations owing to the Subordinated Lender, including in respect of the Subordinated Debt, other than the Subordinated Security; and (iii) that it will not make or grant any direct or indirect (including by way of set-off) distribution, payment (including, but not limited to, principal, interest, fees and costs), prepayment or repayment on account of, consideration for the reduction of, or other distribution in respect of, the Subordinated Debt to the Subordinated Lender until the Senior Debt Repayment Date.

10. **No Objection.**

The Subordinated Lender will not take, or cause or permit any other Person to take on its behalf, or support any other person to, take any steps whatsoever whereby (i) the existence, priority or validity of any of the Senior Security or Senior Debt or (ii) the rights of the Collateral Agent (on behalf of the Beneficiaries) hereunder, under the Collateral Agent and Intercreditor Agreement, the Senior Security or any other Senior Debt Documents will be contested, delayed, defeated, impaired or diminished. Without limiting the generality of the foregoing, the Subordinated Lender will not, and will not support any other person to, challenge, object to, compete with or impede in any manner any act taken or proceeding commenced by the Collateral Agent (on behalf of the Beneficiaries), in accordance with the terms of the Collateral Agent and Intercreditor Agreement or any other Senior Debt Document, in connection with the enforcement by the Collateral Agent (on behalf of the Beneficiaries) of the Senior Security and Senior Debt.

11. **Application of Proceeds.**

The Subordinated Lender, the Debtor and each other Restricted Party acknowledge that (a) all and every part of the Senior Security is held by the Collateral Agent, for and on behalf of the Beneficiaries, as security for all and every part of the Senior Debt and (b) the Collateral Agent may apply, as a permanent reduction of the Senior Debt, any moneys received by it in accordance with the provisions of the Collateral Agent and Intercreditor Agreement, whether from the enforcement

of and realization upon any or all of the Senior Security or otherwise, to any part of the Senior Debt in a manner consistent with the Collateral Agent and Intercreditor Agreement.

12. **Liquidation, Dissolution, Bankruptcy, etc.**

- (a) In the event of distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the Collateral or other assets of any Restricted Party, or the proceeds thereof, to creditors in connection with an Insolvency Proceeding, the Beneficiaries will be entitled to receive payment in full (including interest accruing to the date of receipt of such payment at the applicable rate whether or not allowed as a claim in any such proceeding) of the Senior Debt before the Subordinated Lender is entitled to receive any Collateral or any direct or indirect payment or distribution of any cash or other assets of any Restricted Party on account of the Subordinated Debt. In connection with such Insolvency Proceeding, the Beneficiaries will be entitled to receive directly, for application in accordance with the provisions of the Collateral Agent and Intercreditor Agreement, in payment of any outstanding Senior Debt, any Collateral, payment or distribution of any kind or character, whether in cash or other assets, which would otherwise be payable or deliverable upon or with respect to the Subordinated Debt. To the extent any payment of Senior Debt (whether by or on behalf of the Debtor, any other Restricted Party or the Subordinated Lender, as receipt of Collateral, proceeds of security or enforcement of any right of set-off or otherwise) is determined to be a fraudulent preference or otherwise preferential, set aside or required to be paid to a trustee, receiver or other similar person under any Bankruptcy Law, then if such payment is recoverable by, or paid over to, such trustee, receiver or other person, the Senior Debt or part thereof originally intended to be satisfied will be deemed to be reinstated and outstanding as if such payment had not occurred.
- (b) In order to enable the Collateral Agent, for and on behalf of the Beneficiaries, to enforce its rights hereunder in any of the actions or proceedings described in this Section 12 (but only to the extent necessary to so enable the Collateral Agent), upon the failure of the Subordinated Lender to make and present on a timely basis a proof of claim against any Restricted Party on account of the Subordinated Debt or other motion or pleading as may be expedient or proper to establish the Subordinated Lender's entitlement to payment of any Subordinated Debt, the Collateral Agent (for and on behalf of the Beneficiaries) is irrevocably authorized and empowered, in its discretion and at the Debtor's expense, to make and present for and on behalf of the Subordinated Lender such proofs of claims or other motions or pleadings and to demand, receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and any such property received shall be paid over to the Collateral Agent (for and on behalf of the Beneficiaries) as required by the Collateral Agent and Intercreditor Agreement. The Collateral Agent shall apply the same on account of the Senior Debt in accordance with the terms of the Collateral Agent and Intercreditor Agreement and any other Senior Debt Documents. Each Restricted Party and the Subordinated Lender hereby covenants and agrees to exercise any voting right or other privilege that it may have from time to time in any of the actions or proceedings described in this Section 12 in favour of any plan, proposal, compromise, arrangement or similar transaction so as to give effect to (i) the right of the Collateral Agent (for and on behalf of the Beneficiaries) to receive payments and distributions otherwise payable or deliverable upon or with respect to the Subordinated Debt so long as any Senior Debt remains outstanding; or (ii) the obligation of the

Subordinated Lender to receive, hold in trust, and pay over to the Collateral Agent (for and on behalf of the Beneficiaries) certain payments and distributions as contemplated by Section 13, during the term of this Agreement.

- (c) In the event of any Insolvency Proceeding relating to the Debtor or any other Restricted Party, all rights of the Subordinated Lender to exercise the voting and other consensual rights pertaining to the Subordinated Debt will, at the option of the Collateral Agent, become vested in the Collateral Agent (for and on behalf of the Beneficiaries) and the Collateral Agent will thereupon have the right, but not the obligation, to exercise such voting and other consensual rights. For such purpose, the Subordinated Lender hereby irrevocably appoints the Collateral Agent or any authorized officer or employee of the Collateral Agent as its attorney in fact, with full power and authority in the place and stead of the Subordinated Lender and in the name of the Subordinated Lender or otherwise, from time to time in the Collateral Agent's absolute discretion and to the fullest extent permitted by law, to take any action and to execute any instruments which the Collateral Agent may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, and the Subordinated Lender hereby notifies all such actions that such attorney will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest (including, for certainty, an assignment of the Subordinated Lender's interest in any payments or distributions in respect of the Subordinated Debt in the event of any Insolvency Proceeding relating to the Debtor or any other Restricted Party) and will be irrevocable.
- (d) If any of the provisions of this Section 12 are stayed or otherwise rendered ineffective during the currency of any Insolvency Proceeding, such provision shall be deemed to be fully reinstated without any action by or on behalf of the Collateral Agent (or any other Beneficiary) upon such stay being lifted or such provision otherwise becoming effective, with each such affected provision having retroactive effect to the date that it was rendered ineffective.

13. **Payments Received by the Subordinated Lender.**

If, prior to the Senior Debt Repayment Date (including as a result of Senior Debt being deemed to be reinstated as set out in Section 12(a)), the Subordinated Lender or any Person on its behalf receives any Collateral or any payment from or distribution of assets of any Restricted Party or on account of the Subordinated Debt (including, upon payment or distribution to creditors in connection with any Insolvency Proceedings, in contravention or as a result of the contravention of the provisions hereof, or in a manner which is inconsistent with the provisions hereof (including, without limitation, as prohibited pursuant to Section 7)), then the Subordinated Lender will, and will cause such other Person to, receive and hold such Collateral, payment or distribution in trust for the benefit of the Collateral Agent and promptly pay the same over or deliver to the Collateral Agent (for and on behalf of the Beneficiaries) in precisely the form received by the Subordinated Lender or such other Person on its behalf (except for any necessary endorsement or assignment). If any of the Subordinated Debt is, in the circumstances dealt with above, discharged by way of set-off or consolidation of accounts, the Subordinated Lender shall immediately hold an amount equal to the amount so discharged in trust for application as herein set forth. The Collateral Agent shall apply such Collateral, payment or distribution (as contemplated in this Section) to the repayment of the Senior Debt in accordance with the terms of the Collateral Agent and Intercreditor Agreement.

14. **Beneficiaries Rights.**

The Subordinated Lender agrees that at all times prior to the Senior Debt Repayment Date, the Collateral Agent (for and on behalf of the Beneficiaries) will be entitled to deal with the Senior Security in accordance with the terms of the Collateral Agent and Intercreditor Agreement and the terms of each other Senior Debt Document and nothing herein will (i) prevent, restrict or limit the Collateral Agent in any manner from exercising all or any part of its rights and remedies otherwise permitted by the Collateral Agent and Intercreditor Agreement, any other Senior Debt Documents and by applicable law, (ii) prejudice or impair any right of the Collateral Agent (for and on behalf of the Beneficiaries) to enforce the subordination as provided in this Agreement, or (iii) affect or impair the obligations of the Subordinated Lender as provided in this Agreement (and the Subordinated Lender will not so prevent, restrict, limit, prejudice or impair such actions or rights), and without limiting the generality of the foregoing, the Subordinated Lender agrees that:

- (a) the Collateral Agent (for and on behalf of the Beneficiaries) in its absolute discretion and without diminishing the obligations of the Subordinated Lender hereunder, may grant time or other indulgences to the Debtor or any other Restricted Party and any other Person or Persons now or hereafter liable to the Beneficiaries in respect of the payment of the Senior Debt, and the Collateral Agent (for and on behalf of the Beneficiaries) may give up, modify, vary, exchange, renew or abstain from enforcing the Senior Security in whole or in part and may discharge any part or parts of or accept any composition or arrangements or realize upon the Senior Security when and in such manner as the Collateral Agent may think expedient, and in no such case will the Collateral Agent (or any other Beneficiary) be responsible for any act or omission with respect to the Senior Security or any part thereof;
- (b) the Subordinated Lender will not be released or exonerated from its obligations hereunder by extension of time periods or any other forbearance whatsoever, whether as to time, performance or otherwise or by any release, discharge, loss or alteration in or dealing with all or any part of the Senior Debt and the Senior Security or any part thereof or by any failure or delay in giving any notice required under this Agreement, the Collateral Agent and Intercreditor Agreement, the Senior Security, the other Senior Debt Documents, the Senior Debt, or any part thereof, the waiver by the Collateral Agent (for and on behalf of the Beneficiaries) of compliance with any conditions precedent to any advance of funds, or by any modification or alteration of the Collateral Agent and Intercreditor Agreement, the Senior Security, the other Senior Debt Documents, the Senior Debt or any part thereof, or by anything done, suffered or permitted by the Collateral Agent (for and on behalf of the Beneficiaries), or as a result of the method or terms of payment under the Senior Debt or the Senior Security or any part thereof or any assignment or other transfer of all or any part of the Collateral Agent and Intercreditor Agreement, the Senior Security, the other Senior Debt Documents, the Senior Debt or any part thereof;
- (c) no Beneficiary will be bound to seek or exhaust any recourse against any Restricted Party or any other Person or against the property or assets of any Restricted Party or any other Person or against any security, guarantee or indemnity before being entitled to the benefit of the Subordinated Lender's obligations hereunder and the Collateral Agent (for and on behalf of the Beneficiaries) may enforce the various remedies available to it and the other Beneficiaries and may realize upon the various security documents, guarantees and indemnities or any part thereof, held by the Beneficiaries



in such order as the Collateral Agent may determine appropriate but in a manner consistent with the terms of the Collateral Agent and Intercreditor Agreement;

- (d) the Subordinated Lender is fully responsible for acquiring and updating information relating to the financial condition of the Debtor and the other Restricted Parties and all circumstances relating to the payment or non-payment of the Subordinated Debt, and no Beneficiary shall any obligations to the Subordinated Lender in that regard;
- (e) no Beneficiary will be required to marshal in favour of the Subordinated Lender or any other Person the Senior Security or any other securities or any moneys or other assets which the Beneficiaries may be entitled to receive or upon which any Beneficiary may have a claim;
- (f) the Beneficiaries will be entitled to advance their own money as they see fit in order to preserve or protect the assets of any Restricted Party (or any other Person) or any part thereof or protect the Senior Debt or the Senior Security or maximize the recovery thereof, and all such sums advanced to the extent reasonably advanced for such purposes, will constitute part of the Senior Debt and will be secured by the Senior Security;
- (g) the Beneficiaries are entitled to amend, supplement, modify, restate or replace the Collateral Agent and Intercreditor Agreement, any of the Senior Security or any other Senior Debt Documents at any time and from time to time without the consent of, or notice to, the Subordinated Lender;
- (h) subject to the Collateral Agent and Intercreditor Agreement, the Collateral Agent (for and on behalf of the Beneficiaries) is entitled to, from time to time, sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner the Collateral or any other assets pledged or mortgaged for or otherwise securing the Senior Debt or any liability of any Restricted Party (or any other Person) or any liability incurred directly or indirectly in respect thereof;
- (i) the Collateral Agent (for and on behalf of the Beneficiaries) is entitled to exercise or delay in or refrain from exercising any right or remedy against any Restricted Party and the Subordinated Lender and is entitled to elect any remedy and otherwise deal freely with the Restricted Parties or the Subordinated Lender as it sees fit;
- (j) no Beneficiary is required to take or record or otherwise perfect or preserve the perfection of any Senior Security, liens or security interests securing the Senior Debt, or to exercise any right or remedy against any Restricted Party or any other Person;
- (k) the Collateral Agent is entitled to change, whether by addition, substitution, renewal, succession, assignment, grant of participation, transfer or otherwise, the Collateral Agent, subject to the terms of the Collateral Agent and Intercreditor Agreement; and
- (l) the Subordinated Lender will upon the written request of the Collateral Agent provide the Collateral Agent (for and on behalf of the Beneficiaries) with such details of the Subordinated Debt outstanding as the Collateral Agent may reasonably request.

15. **DIP Financing.**

In the event of an Insolvency Proceeding regarding a Restricted Party, whether voluntary or involuntary, the Subordinated Lender shall not propose, agree to provide or support any debtor in possession financing (a "**DIP Financing**") which is secured by a charge, lien, mortgage or other security interest that ranks in priority to or *pari passu* with the Senior Security. If any Restricted Party obtains DIP Financing from the Beneficiaries (or any of them), then the Subordinated Lender agrees it will: (a) subordinate the Subordinated Security to: (i) the charges, liens, mortgages and security interests securing any such DIP Financing, and (ii) any administrative or other court-ordered charges, and (b) not contest or raise any objection to such DIP Financing.

16. **Representations and Warranties.**

The Subordinated Lender hereby represents and warrants to the Collateral Agent and the other Beneficiaries, and acknowledges and agrees that the Collateral Agent and the other Beneficiaries are relying on such representations and warranties in connection with the entering into of this Agreement, that:

- (a) it is validly subsisting under the laws of its jurisdiction of formation and has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder;
- (b) it has not assigned or transferred the Subordinated Debt or any Subordinated Security and it has not pledged, hypothecated or granted a security interest in, or in respect of, the Subordinated Debt or Subordinated Security as at or prior to the date hereof other than in favour of the Collateral Agent and the other Beneficiaries pursuant to the Senior Debt Documents;
- (c) it has provided the Collateral Agent (for and on behalf of the Beneficiaries) with a true and complete copy of the Subordinated Loan Agreements and the agreement(s) constituting the Subordinated Security;
- (d) the execution, delivery, observance and performance on its part of this Agreement has been duly authorized by all necessary action and it has duly executed and delivered this agreement; and
- (e) this Agreement constitutes a valid and legally binding obligation, enforceable against it in accordance with its terms, subject however, to limitations with respect to enforcement imposed by Bankruptcy Law and subject to general equitable principles.

All of the representations and warranties set forth in this Section 16 shall survive the execution and delivery of this Agreement.

17. **Waivers of the Subordinated Lender.**

The Subordinated Lender agrees that: (i) no Beneficiary has made any representations or warranties in respect to the due execution, legality, completeness or enforceability of any agreement or instrument relating to the Collateral Agent and Intercreditor Agreement, the Senior Security, any other Senior Debt Document or the Senior Debt or the collectability of the Senior Debt, and (ii) subject to the terms of the Collateral Agent and Intercreditor Agreement, the Beneficiaries will be entitled to manage and supervise their loans and other financial accommodation to any Restricted Party or any other Person in accordance with applicable law and their usual practices, modified from time to time as they deem appropriate under the circumstances, or otherwise, without regard to the existence of any rights that the Subordinated Lender may now or hereafter have in or to any

of the assets of any Restricted Party; and (iii) no Beneficiary will have any liability to any Restricted Party or the Subordinated Lender for, and, to the extent permitted by applicable law, the Subordinated Lender hereby waives, any claims which the Subordinated Lender may now or hereafter have against the Beneficiaries out of, any and all actions which the any Beneficiary takes or omits to take (including, without limitation, actions taken by the Collateral Agent on behalf of the Beneficiaries and actions taken with respect to the creation, perfection or continuation of liens or security interest in any assets at any time securing payment of the Senior Debt, actions with respect to the occurrence of any default under any agreement or instrument relating to the Senior Debt, actions with respect to the release or depreciation of, or failure to realize upon, any assets securing payment of the Senior Debt and actions with respect to the collection of any claims or all or any part of the Senior Debt from any account debtor, Subordinated Lender or any other Person) with respect to the Senior Debt and any agreement or instrument related thereto or with respect to the collection of the Senior Debt or the valuation, use, protection or release of any assets securing payment of the Senior Debt except in accordance with the terms of the Collateral Agent and Intercreditor Agreement.

18. **No Rights to Restricted Parties.**

Nothing in this Agreement will create any rights in favour of, or obligations to any Restricted Party, and each Restricted Party acknowledges and agrees to the provisions of and ordering of priorities established by this Agreement and the terms hereof are for the sole benefit of the Beneficiaries and the Subordinated Lender.

19. **No Amendments to Subordinated Loan Agreements.**

The Subordinated Lender agrees with the Collateral Agent (for and on behalf of the Beneficiaries) that it will not, without obtaining the prior written consent of the Collateral Agent (for and on behalf of the Beneficiaries), amend, revise supplement or replace any Subordinated Loan Agreement or any other documents related thereto in any manner whatsoever.

20. **Further Assurances.**

The parties hereto shall forthwith, and from time to time, execute and do all deeds, documents and things which may be necessary or advisable, in the reasonable opinion of the Collateral Agent and its counsel, to give full effect to the postponement and subordination of the rights and remedies of the Subordinated Lender in respect to the Subordinated Debt to the rights and remedies of the Collateral Agent and the other Beneficiaries in respect to the Senior Debt, the Senior Security and any other Senior Debt Document, all in accordance with the intent of this Agreement.

21. **Successors and Assigns.**

- (a) This Agreement is binding upon the Collateral Agent, the Subordinated Lender, and each Restricted Party and their respective successors and assigns and, subject to Section 21(b) below, will enure to the benefit of the Beneficiaries and the Subordinated Lender, and their respective successors and permitted assigns.
- (b) The Collateral Agent will be entitled to assign all or any part of its rights and obligations under this Agreement or with respect to the Senior Debt in compliance with the terms of the Collateral Agent and Intercreditor Agreement, if the Collateral Agent's obligations under this Agreement are assumed or are deemed to be assumed in full by the Person to whom the Collateral Agent's obligations under the Collateral Agent and Intercreditor Agreement and the Senior Debt Documents are assigned.
- (c) Neither the Restricted Parties nor the Subordinated Lender shall be entitled to assign all or any part of their respective rights and obligations under this Agreement or the Subordinated Debt or Subordinated Security.
- (d) Except in accordance with Sections 21(a), 21(b) or 21(c) hereof, third parties will have no rights or benefits under this Agreement.

22. **Entire Agreement; Severability.**

This Agreement contains the entire agreement among the parties hereto with respect to the subordination, postponement and stand-still of obligations of the Subordinated Lender. Notwithstanding anything contained herein, the provisions of the Collateral Agent and Intercreditor Agreement shall govern notwithstanding the terms of hereof (including in the case of any conflict between the terms of this Agreement and the terms of the Collateral Agent and Intercreditor Agreement) and whether or not any Insolvency Proceeding shall have commenced against any Restricted Party or the Subordinated Lender. If any of the provisions of this Agreement shall be held invalid or unenforceable by any court having jurisdiction, this Agreement shall be construed as if not containing those provisions, and the rights and obligations of the parties hereto should be construed and enforced accordingly. This Agreement cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or agreements, express, implied or statutory, between the Collateral Agent and the Subordinated Lender with respect to the subject matter hereof except as expressly set forth herein.

23. **Other Rights Not Affected.**

The postponement and subordination provided for in this Agreement is in addition to and not in substitution for or limitation of any other agreement, right or other security by whomsoever given or at any time held by or for the benefit of the Beneficiaries in respect of the obligations of the Restricted Parties or the Subordinated Lender to the Beneficiaries, and nothing in this Agreement shall limit or prejudice any of the contractual, statutory or other rights of the Beneficiaries or the Subordinated Lender or the contractual, statutory or other priority of the obligations of the Restricted Parties and the Subordinated Lender to the Beneficiaries or the Restricted Parties to the Subordinated Lender, in each case, insofar as such rights or priority arises or exists outside of this Agreement.

24. **Acknowledgement.**

Each Restricted Party and the Subordinated Lender hereby acknowledges receipt of a copy of this Agreement and accepts and further agrees with the Collateral Agent to give effect to all of the provisions of this Agreement, notwithstanding the terms of the Subordinated Loan Agreements.

25. **Governing Law.**

This Agreement will be governed and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

26. **Termination.**

This Agreement will terminate upon the earlier of the written agreement of the Collateral Agent (for and on behalf of the Beneficiaries), the Restricted Parties and the Subordinated Lender.

27. **Amendments and Waivers.**

- (a) No provision of this agreement may be amended, waived, discharged or terminated orally nor may any breach of any of the provisions of this Agreement be waived or discharged orally, and any such amendment, waiver, discharge or termination may only be made in writing signed by the Collateral Agent (for and on behalf of the Beneficiaries), the Subordinated Lender and each Restricted Party, provided, however, that no consent of the Restricted Parties shall be necessary to any amendment of the terms hereof by the Collateral Agent and the Subordinated Lender unless the interests of the Restricted Parties are directly and adversely affected.
- (b) No failure on the part of the Collateral Agent (for and on behalf of the Beneficiaries) to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof unless specifically waived in writing, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- (c) Any waiver of any provision of this Agreement or consent to any departure by any part therefrom shall be effective only in the specific instance and for the specific purpose for which given and shall not in any way be or be construed as a waiver of any future requirement.

28. **Enurement.**

This Agreement will be binding upon and enure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or will confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

29. **Notices.**

Any notice to be given under this Agreement may be effectively given by delivering (whether by courier or personal delivery) such notice at the address set forth in the signature pages of this Agreement or by sending such notice by prepaid registered mail to such address or by facsimile to the parties at the facsimile number set out on the signature pages of this Agreement. Any notice mailed will be deemed to have been received on the 5th day next following the registered mailing of such notice. Any facsimile notice will be deemed to have been received on transmission if sent before 4:00 p.m. Toronto time on a Business Day, and, if not, on the next Business Day following transmission.

30. **Waiver of Jury Trial.**

The parties hereto do hereby irrevocably, 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 this Agreement.

31. **Collateral Agent Execution.**

China Construction Bank Toronto Branch is entering into this Agreement in its capacity as collateral agent under the Collateral Agent and Intercreditor Agreement and as collateral agent for and on behalf of each of the Beneficiaries.

32. **Counterpart and Facsimile Execution.**

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. For the purposes of this Section, the delivery of a facsimile copy or pdf formatted copy of an executed counterpart of this Agreement shall be deemed to be valid execution and delivery of this Agreement.

33. **Power of Attorney**

The Subordinated Lender hereby constitutes and appoints the Collateral Agent and any officer or agent of the Collateral Agent, 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 Subordinated Lender or in the Subordinated Lender's own name, from time to time in the Collateral Agent's discretion, to take any and all appropriate action or step which the Subordinated Lender is required to take hereunder (including any endorsements or other instruments of transfer or release) in the name of the Subordinated Lender whenever and wherever the Collateral Agent may consider it to be necessary or expedient, which appointment shall be irrevocable and coupled with an interest.

34. **Amendment and Restatement.**

Effective as of the date hereof, the subordination and postponement agreement made as of January 31, 2017 (the "**Original Agreement**") between China Construction Bank Toronto Branch (in such capacity, the "**Original CCB Lender**"), the Debtor and the Subordinated Lender is: (a) hereby amended and restated as set forth herein without in any way affecting the rights or obligations of any party which may have accrued as of the date hereof pursuant to the provisions of the Original Agreement prior to the amendment and restatement hereby; and (b) as so amended and restated, the Original Agreement is hereby ratified and confirmed. All references to the Original Agreement or similar references contained in the documents delivered prior to the effectiveness of this Agreement in connection with or under the Original Agreement shall be references to this Agreement without further amendment to those documents.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their respective officers or representatives as of the day and year first above written.

**LONG RUN EXPLORATION LTD.**, as  
Debtor

Address:  
Eau Claire Tower  
600, 600 3rd Avenue SW  
Calgary, Alberta T2P 0G5

By:

Attention: Chief Executive Officer  
Facsimile No.: (403) 262-5561

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

By:

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

**CHINA CONSTRUCTION BANK**  
**TORONTO BRANCH**, as Collateral  
Agent and as Original CCB Lender

Address:  
3650 – 181 Bay Street  
Toronto, ON  
M5J 2T3

Attention: Ziqing Zou (Eddie)  
Senior Vice President, Corporate Banking  
Facsimile No.: (647) 777-7739

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:



**CALGARY SINOENERGY  
INVESTMENT CORP.**, as Subordinated  
Lender

Address:  
Eau Claire Tower  
600, 600 3rd Avenue SW  
Calgary, Alberta T2P 0G5

Attention: Chief Executive Officer  
Facsimile No.: (403) 262-5561

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**Schedule 1.01(A)**

**Compliance Certificate**

TO: China Construction Bank Toronto Branch, as Administrative Agent (as defined below)  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: •

This Compliance Certificate is delivered to you pursuant to Section [9.03(3) / 9.03(4)] of the credit agreement made as of October 27, 2020 between, *inter alia*, the Borrower and you, as administrative agent (in such capacity, the "**Administrative Agent**"), as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Compliance Certificate that are defined in the Credit Agreement have the same meanings herein.

I, [name], the [title] of the Borrower, certify for and on behalf of the Borrower, and not in my personal capacity and without personal liability whatsoever, that:

1. Representations and Warranties All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof unless varied as contemplated in Section 8.02.
2. Terms, Covenants and Conditions All of the terms, covenants and conditions of the Credit Agreement and each of the other Loan Documents to be performed or complied with by the Borrower at or prior to the date hereof have been performed or complied with.
3. Default No Default or Event of Default has occurred and is continuing on the date hereof.
4. Financial Statements Attached hereto are the financial statements of most recent date referred to in Sections 9.03(1) and (2) of the Credit Agreement.
5. Debt Debt as at \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.
6. EBITDA Consolidated EBITDA for the four fiscal quarters ended \_\_\_\_\_ is Cdn. \$\_\_\_\_\_.

**DATED** effective the date and year first above written.

**LONG RUN EXPLORATION LTD.**

- 2 -

Per:

Name: [ ]

Title: [ ]

---

**Schedule 1.01(B)**

**Environmental Certificate**

TO: China Construction Bank Toronto Branch, as Administrative Agent (as defined below)  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: •

This Environmental Certificate is delivered to you pursuant to Section [9.03(3) / 9.03(4)] of the credit agreement made as of October 27, 2020 between, *inter alia*, the Borrower and you, as administrative agent (in such capacity, the "**Administrative Agent**"), as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Environmental Certificate that are defined in the Credit Agreement have the same meanings herein.

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 and without assuming any personal liability whatsoever:

1. The following certifications in sections 3 to 9 are made to my knowledge after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Borrower to confirm that the internal environmental reporting and response procedures of the Borrower 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 Borrower 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 a Governmental Authority by the Borrower, or of which the Borrower is otherwise aware, with respect to any alleged violation of or alleged liability under any Environmental Laws by the Borrower; or

- (b) stop, cleanup or preventative orders, direction or action requests, notice of which has been received from a Governmental Authority by the Borrower or which the Borrower is 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 the Borrower.
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 the Borrower.
  6. None of the lands and facilities owned, leased, managed, controlled or operated by the Borrower, 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 the Borrower, 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 Borrower has obtained all permits, licenses and other authorizations (collectively the "**Permits**") except where not obtaining a Permit could not constitute or be reasonably be expected to constitute or cause a Material Adverse Effect, which are required under Environmental Laws and are in compliance, except where non-compliance could not constitute or be reasonably be expected to constitute or cause a Material Adverse Effect, 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 Borrower is not aware of any matter affecting the environment which has had or could reasonably be expected to have a Material Adverse Effect.

**DATED** effective the date and year first above written.

**LONG RUN EXPLORATION LTD.**

Per:

Name: [ ]

Title: [ ]

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**Schedule 1.01(F)**

**Relevant Jurisdictions**

ALBERTA

SASKATCHEWAN

BRITISH COLUMBIA

**Schedule 1.01(G)**

**Repayment Notice**

TO: China Construction Bank Toronto Branch, as Administrative Agent (as defined below)  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the "**Borrower**")

DATE: •

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1. This Repayment Notice is delivered pursuant to [**Section 6.04**] [or] [**Section 6.05**] of the credit agreement made as of October 27, 2020 between, *inter alia*, the Borrower and you, as administrative agent (in such capacity, the "**Administrative Agent**"), as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Repayment Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby gives you notice that it intends to repay **[[Cdn. \$•] under the Credit Facility, such amount being the Net Proceeds from [describe Disposition]]** or **[repay [Cdn. \$•] under the Credit Facility on [date which must be at least 5 Business Days after the delivery of this Notice]]**.

3. The amount of such repayment will, subject to the provisions of the Credit Agreement, be used to repay Loans of the following type:

<u>Loan Type</u>	<u>Principal Amount</u>
•	•

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**Schedule 8.01(17)**

**Ownership Structure**

<b>Legal Name</b>	<b>Jurisdiction of Incorporation or Formation</b>	<b>Location of Chief Executive Office</b>	<b>Location of Business and Assets</b>	<b>Ownership of Issued Voting Securities</b>	<b>Designation</b>
Long Run Exploration Ltd.	Alberta	600, 600 3rd Avenue SW, Calgary, Alberta, T2P 0G5	Alberta, British Columbia and Saskatchewan	100% common shares held by Calgary Sinoenergy Investment Corp.	Borrower
Calgary Sinoenergy Investment Corp.	Alberta	600, 600 3rd Avenue SW, Calgary, Alberta, T2P 0G5	Alberta	Sinoenergy Oil Investment Ltd.	Guarantor



**Schedule 8.01(21)**

**Intellectual Property Rights**

NIL

**Schedule 8.01(25)**

**Pension Plan Disclosure**

NIL

**Schedule 8.01(30)**

**Controlled Account Disclosure**

<b>Owner</b>	<b>Type of Accounts</b>	<b>Account Numbers</b>	<b>Depository Institution/Address</b>	<b>Description of Account</b>
Long Run Exploration Ltd	CAD	129890055611	Bank of Nova Scotia 44 King Street West Toronto, Ontario, Canada M5H 1H1	Business CAD account
Long Run Exploration Ltd	USD	129890701319	Bank of Nova Scotia 44 King Street West Toronto, Ontario, Canada M5H 1H1	Business USD account
Long Run Exploration Ltd	CAD USD RMB	682001018700	China Construction Bank, 181 Bay Street, Suite 3650, Toronto, ON M5J 2T3	Current account

**Schedule 9.01(5)**

**Calgary Sinoenergy Business**

No active business. Liability listing as attached.

As at September 30, 2020:

Liabilities and Owner's Equity		Balance
Current Liabilities		
Short-term loans		
Financial Liabilities		
Notes payable		
Accounts payable		
Advance from customers		
Payroll payable		
Taxes payable		-
Interest payable		
Dividend payable		
Other payable		350,566,329.55
Non-current liability due within one year		
Other current liability		
<b>Total current liability</b>		<b>350,566,329.55</b>
Non-current liabilities :		
Long-term loans		320,070,000.00
Bonds payable		
Long-term payable		
Grants & Subsidies received		
Provisions		
Deferred Tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>		<b>320,070,000.00</b>
<b>Total Liabilities</b>		<b>670,636,329.55</b>

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “C” – Drawdown Notice**

**Drawdown Notice**

TO: China Construction Bank Toronto Branch  
3650-181 Bay Street, Toronto, Ontario, M5J 2T3

FROM: Long Run Exploration Ltd.  
(the “**Borrower**”)

DATE: January 30, 2017

---

1. This Drawdown Notice is delivered pursuant to the credit agreement made as of January 31, 2017, between, *inter alia*, the Borrower and you, as Lender, as amended to the date hereof (the “**Credit Agreement**”). All terms used in this Drawdown Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby requests the following Loan(s) and Letter(s) of Credit:

(a) Drawdown Date: January 31, 2017

(b) Type of Credit Facility:

\$35,000,000 Revolving Term Facility  
and  
\$396,000,000 Non-Revolution Term Facility

(c) Type and Amount of each Loan (check appropriate boxes)

Amount

( ) CDOR Loan:


	<u>Amount</u>	<u>Term in Months</u>
Cdn. \$	<u>35,000,000</u>	<u>3</u>
	<u>396,000,000</u>	<u>3</u>

3. Representations and Warranties All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct on and as of the date hereof as though made on and as of the date hereof unless varied as contemplated in Section 8.02.

4. All of the conditions precedent to the Loan(s) and Letter(s) of Credit requested hereby that have not been properly waived in writing by the Lender has been satisfied.

5. No Default or Event of Default has occurred and is continuing or will have occurred and be continuing on the Drawdown Date, or will result from the Loan(s) and Letter(s) of Credit requested hereby.

**LONG RUN EXPLORATION**

By:  \_\_\_\_\_  
Name: Yingchun Wu  
Title: Director

*[Signature Page to Drawdown Notice]*

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “D” – Long Run PPR Search**



Search ID #: Z17536222

**Transmitting Party**

BLAKE CASSELS & GRAYDON LLP  
3500 -855-2ND STREET S.W.  
CALGARY, AB T2P4J8

Party Code: 50038397  
Phone #: 403 663 2233  
Reference #: 14438/2 JMKN

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Both Exact and Inexact Result(s) Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.  
Be sure to read the reports carefully.



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

---

Registration Number: 14121134772

Registration Type: SECURITY AGREEMENT

Registration Date: 2014-Dec-11

Registration Status: Current

Expiry Date: 2049-Dec-11 23:59:59

---

Exact Match on: Debtor No: 1

---

**Amendments to Registration**

18012538603	Amendment	2018-Jan-25
18061530328	Amendment	2018-Jun-15
18061846224	Amendment	2018-Jun-18
21040836583	Amendment	2021-Apr-08
24062413798	Renewal	2024-Jun-24

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
400, 250 - 2ND STREET S.W.  
CALGARY, AB T2P 0C1

Current

---

**Secured Party / Parties**

**Block**

**Status**

1 NATURAL GAS EXCHANGE INC.  
10TH FLOOR, 300 - 5TH AVENUE SW  
CALGARY, AB T2P 3C4

Deleted by  
18012538603

**Block**

**Status**

2 NATURAL GAS EXCHANGE INC.  
9TH FLOOR, 300 - 5TH AVENUE SW  
CALGARY, AB T2P 3N3

Deleted by  
18061846224

Phone #: 403 974 4332

Fax #: 403 265 7219

Search ID #: Z17536222

**Block**

3 ICE NGX CANADA INC.  
300 5TH AVENUE SW, SUITE 910  
CALGARY, AB T2P 3C4  
Phone #: 403 974 4332 Fax #: 403 265 7219

**Status**

Deleted by  
21040836583

**Block**

4 ICE NGX CANADA INC.  
225 - 6TH AVENUE SW, SUITE 2610  
CALGARY, AB T2P 1N2  
Phone #: 403 974 4332 Fax #: 403 265 7219  
Email: legal-icengx-ppr@ice.com

**Status**

Current by  
21040836583

**Collateral: General**

**Block**

**Description**

**Status**

- |   |   |                           |
|---|---|---------------------------|
| 1 | ANY AND ALL OF THE DEBTOR'S CASH, MONIES, AND INTEREST BEARING INSTRUMENTS DELIVERED TO, DEPOSITED WITH, OR HELD BY OR ON BEHALF OF THE SECURED PARTY. ALL ACCOUNTS OWING TO THE DEBTOR PURSUANT TO THE NGX TRADING SYSTEM AGREEMENT AND THE TERMS AND CONDITIONS THEREUNDER.   | Deleted By<br>18061530328 |
| 2 | PROCEEDS: GOODS, INVENTORY, CHATTEL PAPER, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY, INTANGIBLES, ACCOUNTS AND INVESTMENT PROPERTY (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT) AND INSURANCE PROCEEDS.   | Deleted By<br>18061530328 |
| 3 | The Debtor's right, title and interest in and to any and all cash, monies and interest bearing instruments delivered to, deposited with, or held by or on behalf of the Secured Party, including all cash, and any rights to payment or performance owing from Secured Party. Proceeds: goods, inventory, chattel paper, documents of title, instruments, money, intangibles, accounts and investment property (all as defined in the Personal Property Security Act) and insurance proceeds. | Current By<br>18061530328 |

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 15021907149

Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Feb-19

Registration Status: Current

Expiry Date: 2025-Feb-19 23:59:59

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Exact Match on:

Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD.  
2400, 525 - 8TH AVENUE S.W.  
CALGARY, AB T2P 0G1

---

**Secured Party / Parties**

**Block**

**Status**

Current

1 BEARSPAW PETROLEUM LTD.  
5309, 333 - 96TH SVENUE N.E.  
CALGARY, AB T3K 0S3  
Phone #: 403 258 3767

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	<p>A. ALL OF THE DEBTOR'S PERSONAL PROPERTY INTERESTS GOVERNED BY A RETROSPECTIVE JOINT OPERATING AGREEMENT DATED MARCH 01, 1995 ORIGINALLY AMONG PEMBINA RESOURCES, COREXCANA LTD., PETROREP RESOURCES LTD., BENSON PETROLEUM LTD., LANGEVIN RESOURCES, MAXX PETROLEUM LTD., CANADIAN CONQUEST EXPLORATION INC., CHAUVCO RESOURCES LTD., QUANTEX RESOURCES LTD., RENAISSANCE ENERGY LTD., (INCORPORATING A CAPL 1981 OPERATING PROCEDURE) AS AMENDED (THE "OPERATING AGREEMENT") INCLUDING, BUT NOT LIMITED TO, THE "JOINT LANDS" DESCRIBED AS:</p> <p>THE EAST HALF OF SECTION 11 TOWNSHIP 036 RANGE 21 WEST OF THE 4TH MERIDIAN AS TO PETROLEUM AND NATURAL GAS FROM BELOW THE TOP OF THE MISSISSIPPIAN FORMATION TO THE BASE OF THE LEDUC FORMATION.</p> <p>B. ALL OF THE DEBTOR'S PERSONAL PROPERTY INTERESTS IN WELLS (INCLUDING BUT NOT LIMITED TO ABANDONED, SHUT?IN, SUSPENDED, CAPPED, PRODUCING, WATER INJECTION, WATER SOURCE, WASTE DISPOSAL, OIL OR GAS WELLS AND ANY OTHER WELLS AND OTHER WELLS) LOCATED ON THE JOINT LANDS, INCLUDING THE WELL BORES, WELLHEAD, AND ALL MATERIALS AND EQUIPMENT IN THE WELLBORE.</p>	Current
2	<p>C. ALL OF THE DEBTOR'S PRESENT AND AFTER?ACQUIRED INTERESTS IN EQUIPMENT AND PRODUCTION FACILITIES ON THE JOINT LANDS OR LOCATED ELSEWHERE BUT SERVING OR INTENDED TO SERVE ANY WELL OR WELLS LOCATED ON THE JOINT LANDS (INCLUDING WITHOUT LIMITATION ANY BATTERY, SEPARATOR, COMPRESSOR STATION, GAS PROCESSING PLANT, GATHERING SYSTEM, PIPELINE, PRODUCTION STORAGE FACILITY OR WAREHOUSE, SURFACE AND SUBSURFACE MACHINERY, APPARATUS, FACILITIES AND OTHER PROPERTY AND ASSETS OF WHATSOEVER NATURE AND KIND FOR THE PRODUCTION, TREATMENT, STORAGE OR TRANSPORTATION OF HYDROCARBONS, CASING, TUBING, RODS, PUMPS AND PUMPING EQUIPMENT, SEPARATORS, FLOW LINES, TANKS, TREATERS, HEATERS, COMPRESSORS PLANTS AND SYSTEMS TO TREAT, DISPOSE OF OR INJECT WATER OR OTHER SUBSTANCES, POWER PLANTS, POLES, LINES, TRANSFORMERS, STARTERS, CONTROLLERS, MACHINE SHOPS, TOOLS, SPARE PARTS AND SPARE EQUIPMENT, COMPUTERS, TELEGRAPH, TELEPHONE, RADIO AND OTHER COMMUNICATION EQUIPMENT, RACKS AND STORAGE FACILITIES).</p> <p>D. ALL OF THE DEBTOR'S PRESENT AND AFTER?ACQUIRED PERSONAL PROPERTY INTERESTS IN PETROLEUM SUBSTANCES PRODUCED OR RECOVERABLE FROM THE JOINT LANDS (INCLUDING WITHOUT LIMITATION, PETROLEUM, OOR SOLID) AND WHETHER HYDROCARBONS OR NOT PRODUCED IN ASSOCIATION THEREWITH INCLUDING ANY SUBSTANCES WITHIN PIPELINES AND FLOWLINES.</p>	Current

Search ID #: Z17536222

- 3 E. PROCEEDS: PROCEEDS IN ANY FORM RESULTING DIRECTLY OR INDIRECTLY FROM THE SALE OF OR OTHER DEALING WITH ANY OF THE COLLATERAL DESCRIBED HEREIN INCLUDING WITHOUT LIMITATION ALL: Current
- ACCOUNTS,
  - CHEQUES,
  - CONTRACT RIGHTS,
  - CHATTEL PAPER,
  - DOCUMENTS OF TITLE,
  - INSTRUMENTS,
  - INTANGIBLES,
  - MONEYS,
  - AMOUNTS PAID OR PAYABLE PURSUANT TO POLICIES OF INSURANCE COVERING THE COLLATERAL OR THAT INDEMNIFY OR COMPENSATE FOR LOSS OR DAMAGE TO THE COLLATERAL; AND ANY OTHER PROPERTY OR OBLIGATIONS RECEIVED WHEN SUCH COLLATERAL OR PROCEEDS THEREOF ARE SOLD, COLLECTED, DISPOSED, EXCHANGED OR OTHERWISE DEALT WITH AND ALL PROCEEDS OF PROCEEDS, WHETHER OF THE SAME OR OF A DIFFERENT TYPE, CLASS, ITEM OR KIND AS THE ORIGINAL COLLATERAL OR PROCEEDS.
- IL, NATURAL GAS, NATURAL GAS LIQUIDS, METHANE, ETHANE, BUTANE, PROPANE, PENTANES PLUS, CONDENSATE, AND ALL OTHER SUBSTANCES WHETHER LIQUID

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 15021925719

Registration Type: LAND CHARGE

Registration Date: 2015-Feb-19

Registration Status: Current

Registration Term: Infinity

---

Inexact Match on: Debtor No: 1

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION  
2400, 525 - 8TH AVENUE S.W.  
CALGARY, AB T2P 0G1

Current

**Secured Party / Parties**

**Block**

**Status**

1 BEARSPAW PETROLEUM LTD.  
5309, 333 - 96TH AVENUE N.E.  
CALGARY, AB T3K 0S3  
Phone #: 403 258 3767

Current

Search ID #: Z17536222

**Particulars**

<b><u>Block</u></b>	<b><u>Additional Information</u></b>	<b><u>Status</u></b>
1	<p>THIS LAND CHARGE REGISTRATION IS LIMITED TO THE INTERESTS OF THE DEBTOR IN ALBERTA CROWN PETROLEUM AND NATURAL GAS LEASE 32138 (THE "CROWN LEASE") WHICH IS GOVERNED BY A RETROSPECTIVE JOINT OPERATING AGREEMENT DATED MARCH 01, 1995 ORIGINALLY AMONG PEMBINA RESOURCES, COREXCANA LTD, PETROREP RESOURCES LTD, BENSON PETROLEUM LTD, LANGEVIN RESOURCES, MAXX PETROLEUM LTD, CANADIAN CONQUEST EXPLORATION INC, CHAUVCO RESOURCES LTD, QUANTEX RESOURCES LTD, RENAISSANCE ENERGY LTD, (INCORPORATING A CAPL1981 OPERATION PROCEDURE) AS AMENDED (THE "OPERATING AGREEMENT") INCLUDING, BUT NOT LIMITED TO, THE JOINT LANDS DESCRIBED AS:</p> <p>THE EAST HALF OF SECTION 11 TOWNSHIP 036 RANGE 21 WEST OF THE 4TH MERIDIAN AS TO PETROLEUM AND NATURAL GAS FROM BELOW THE TOP OF THE MISSISSIPPIAN FORMATION TO THE BASE OF LEDUC FORMATION.</p> <p>(THE "CROWN LANDS")</p> <p>PROCEEDS: PROCEEDS IN ANY FORM RESULTING DIRECTLY OR INDIRECTLY FROM THE SALE OF OR OTHER DEALING WITH ANY OF THE COLLATERAL DESCRIBED HEREIN INCLUDING WITHOUT LIMITATION ALL:</p> <ul style="list-style-type: none"><li>- ACCOUNTS,</li><li>- CHEQUES,</li><li>- CONTRACT RIGHTS,</li><li>- CHATTEL PAPER,</li><li>- DOCUMENTS OF TITLE,</li><li>- INSTRUMENTS,</li><li>- INTANGIBLES,</li><li>- MONEYS,</li><li>- SECURITIES,</li><li>- AMOUNTS PAID OR PAYABLE PURSUANT TO POLICIES OF INSURANCE COVERING THE COLLATERAL; AND ANY OTHER PROPERTY OR OBLIGATIONS RECEIVED WHEN SUCH COLLATERAL OR PROCEEDS THEREOF ARE SOLD, COLLECTED DISPOSED, EXCHANGED OR OTHERWISE DEALT WITH AND ALL PROCEEDS OF PROCEEDS, WEATHER OF THE SAME OR OF A DIFFERENT TYPE, CLASS, ITEM OR KIND AS THE ORIGINAL COLLATERAL OR PROCEEDS.</li></ul>	Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 16062938126

Registration Type: SECURITY AGREEMENT

Registration Date: 2016-Jun-29

Registration Status: Current

Expiry Date: 2026-Jun-29 23:59:59

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Exact Match on: Debtor No: 1

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
400, 250 - 2 STREET SW  
CALGARY, AB T2P 0C1

Current

**Secured Party / Parties**

**Block**

**Status**

1 CALGARY SINOENERGY INVESTMENT CORP.  
1500, 444 - 5 AVENUE SW  
CALGARY, AB T2P 2T8

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

---

Registration Number: 16062938173

Registration Type: LAND CHARGE

Registration Date: 2016-Jun-29

Registration Status: Current

Registration Term: Infinity

---

Exact Match on:

Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
400, 250 - 2 STREET SW  
CALGARY, AB T2P 0C1

Current

---

**Secured Party / Parties**

**Block**

**Status**

1 CALGARY SINOENERGY INVESTMENT CORP.  
1500, 444 - 5 AVENUE SW  
CALGARY, AB T2P 2T8

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 17012618773

Registration Type: SECURITY AGREEMENT

Registration Date: 2017-Jan-26

Registration Status: Current

Expiry Date: 2037-Jan-26 23:59:59

Exact Match on: Debtor No: 3

**Amendments to Registration**

19043007805	Amendment	2019-Apr-30
20073029611	Amendment	2020-Jul-30
24041230801	Amendment	2024-Apr-12

**Debtor(s)**

**Block**

1 LONG RUN EXPLORATION LTD.  
SUITE 400, 250-2ND STREET SW  
CALGARY, AB T2P 0C1

**Status**

Deleted by  
24041230801

**Block**

2 LONG RUN EXPLORATION LTD.  
600, 600 3RD AVENUE SW  
CALGARY, AB T2P 0G5

**Status**

Deleted by  
24041230801

**Block**

3 LONG RUN EXPLORATION LTD.  
ELVEDEN CENTRE, 300, 707-7TH AVE SW  
CALGARY, AB T2P 3H6

**Status**

Current by  
24041230801

**Secured Party / Parties**

**Block**

1 CHINA CONSTRUCTION BANK, TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3

**Status**

Deleted by  
20073029611

Search ID #: Z17536222

**Block**

2 CHINA CONSTRUCTION BANK TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3

**Status**

Deleted by  
20073029611

**Block**

3 CHINA CONSTRUCTION BANK TORONTO BRANCH, AS COLLATERAL AGENT  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current by  
20073029611

**Block**

4 CHINA CONSTRUCTION BANK TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current by  
20073029611

**Block**

5 CHINA CONSTRUCTION BANK, TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current by  
20073029611

**Collateral: General**

**Block**

**Description**

1 ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

**Status**

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 17012618806

Registration Type: LAND CHARGE

Registration Date: 2017-Jan-26

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 3

**Amendments to Registration**

19043007898	Amendment	2019-Apr-30
20073029517	Amendment	2020-Jul-30
24041230833	Amendment	2024-Apr-12

**Debtor(s)**

**Block**

1 LONG RUN EXPLORATION LTD.  
SUITE 400, 250-2ND STREET SW  
CALGARY, AB T2P 0C1

**Status**

Deleted by  
24041230833

**Block**

2 LONG RUN EXPLORATION LTD.  
600, 600 3RD AVENUE SW  
CALGARY, AB T2P 0G5

**Status**

Deleted by  
24041230833

**Block**

3 LONG RUN EXPLORATION LTD.  
ELVEDEN CENTRE, 300, 707-7TH AVE SW  
CALGARY, AB T2P 3H6

**Status**

Current by  
24041230833

**Secured Party / Parties**

**Block**

1 CHINA CONSTRUCTION BANK, TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3

**Status**

Deleted by  
20073029517

Search ID #: Z17536222

**Block**

2 CHINA CONSTRUCTION BANK TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3

**Status**

Deleted by  
20073029517

**Block**

3 CHINA CONSTRUCTION BANK TORONTO BRANCH, AS COLLATERAL AGENT  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current by  
20073029517

**Block**

4 CHINA CONSTRUCTION BANK TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current by  
20073029517

**Block**

5 CHINA CONSTRUCTION BANK, TORONTO BRANCH  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current by  
20073029517

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 19062713259

Registration Type: SECURITY AGREEMENT

Registration Date: 2019-Jun-27

Registration Status: Current

Expiry Date: 2024-Jun-27 23:59:59

Inexact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LT  
BOX 13035 CENTENNIAL  
CALGARY, AB T2P0Y2

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
4620 BLACKFOOT TR SE  
CALGARY, AB T2G4G2

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFX1E40KKD78088	2019	FORD F150	MV - Motor Vehicle	Current
2	1FTFX1E42KKD78089	2019	FORD F150	MV - Motor Vehicle	Current
3	1FTFX1E49KKD78090	2019	FORD F150	MV - Motor Vehicle	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 19080706769

Registration Type: SECURITY AGREEMENT

Registration Date: 2019-Aug-07

Registration Status: Current

Expiry Date: 2024-Aug-07 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
BOX 13035 CENTENNIAL  
CALGARY, AB T2P0Y2

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
4620 BLACKFOOT TR SE  
CALGARY, AB T2G4G2

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFX1E4XKKE19021	2019	FORD F150	MV - Motor Vehicle	Current
2	1FTFX1E41KKE19022	2019	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 19081308504

Registration Type: SECURITY AGREEMENT

Registration Date: 2019-Aug-13

Registration Status: Current

Expiry Date: 2024-Aug-13 23:59:59

Inexact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**  
Current

1 LONG RUN EXPLORATION LT  
BOX 13035 CENTENNIAL  
CALGARY, AB T2P0Y2

**Secured Party / Parties**

**Block**

**Status**  
Current

1 SUMMIT ACCEPTANCE CORP  
4620 BLACKFOOT TR SE  
CALGARY, AB T2G4G2

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFX1E43KKE19023	2019	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**  
Current

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 19091108753

Registration Type: SECURITY AGREEMENT

Registration Date: 2019-Sep-11

Registration Status: Current

Expiry Date: 2024-Sep-11 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
4620 BLACKFOOT TR SE  
CALGARY, AB T2G4G2

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	3C6TR5EJ6KG605180	2019	DODGE RAM 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 19092709316

Registration Type: SECURITY AGREEMENT

Registration Date: 2019-Sep-27

Registration Status: Current

Expiry Date: 2024-Sep-27 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
4620 BLACKFOOT TR SE  
CALGARY, AB T2G4G2

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	3C6TR5EJXKG605182	2019	DODGE RAM 2500	MV - Motor Vehicle	Current
2	3C6TR5EJ8KG605181	2019	DODGE RAM 2500	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 20020336573

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Feb-03

Registration Status: Current

Expiry Date: 2025-Feb-03 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E43LFA30735	2020	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 20050806711

Registration Type: ATTACHMENT ORDER

Registration Date: 2020-May-08

Registration Status: Current

Registration Term: Infinity

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Issued in Calgary Judicial Centre

Court File Number is 2001-03353

Court Order Date is 2020-Apr-23

The Attachment Amount is \$0.00

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Exact Match on: Debtor No: 5

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**Solicitor / Agent**

JENSEN SHAWA SOLOMON DUGUID HAWKES LLT C/O JSS BARRISTERS  
800, 304-8 AVENUE SW  
CALGARY, AB T2P 1C2

Phone #: 403 571 1520

Fax #: 403 571 1528

Reference #: 14828.001

Email: accounting@jssbarristers.ca

**Defendant(s) / Respondent(s)**

**Block**

**Status**

Current

1 DENG, TIANZHOU  
40 DISCOVERY RIDGE COURT SW  
CALGARY, AB T3H 4P8

Gender:  
Male

Birth Date:  
1956-Aug-13

**Block**

**Status**

Current

2 DENG, XIAOBO  
40 DISCOVERY RIDGE COURT SW  
CALGARY, AB T3H 4P8

Gender:  
Female

Search ID #: Z17536222

**Block**

3 DENG, LAKE  
40 DISCOVERY RIDGE COURT SW  
CALGARY, AB T3H 4P8

Gender:  
Female

**Status**

Current

**Block**

4 CALGARY SINOENERGY INVESTMENT CORP.  
1900, 520-3 AVENUE SW  
CALGARY, AB T2P 0R3

**Status**

Current

**Block**

5 LONG RUN EXPLORATION LTD.  
1900, 520-3 AVENUE SW  
CALGARY, AB T2P 0R3

**Status**

Current

**Plaintiff(s) / Applicant(s)**

**Block**

1 HENENGHAIXIN CORP.  
700, 600-3 AVE SW  
CALGARY, AB T2P 0G5  
Email: accounting@jssbarristers.ca

**Status**

Current

**Collateral: General**

**Block**

**Description**

1 any bank, investment or other account at any bank, financial or other institution; any motor vehicle, trailer, or other vehicle registered to the Defendants; any real property in which the Defendants have any interest; any and all other personal property of any description whatsoever; and any and all share certificates, negotiable instruments and the like.

**Status**

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 20073028631

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Jul-30

Registration Status: Current

Expiry Date: 2030-Jul-30 23:59:59

Exact Match on: Debtor No: 2

**Amendments to Registration**

24041230857

Amendment

2024-Apr-12

**Debtor(s)**

**Block**

1 LONG RUN EXPLORATION LTD.  
600, 600 3RD AVENUE SW  
CALGARY, AB T2P 0G5

**Status**

Deleted by  
24041230857

**Block**

2 LONG RUN EXPLORATION LTD.  
ELVEDEN CENTRE, 300, 707-7TH AVE SW  
CALGARY, AB T2P 3H6

**Status**

Current by  
24041230857

**Secured Party / Parties**

**Block**

1 CHINA CONSTRUCTION BANK TORONTO BRANCH, AS COLLATERAL AGENT  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current

**Collateral: General**

**Block**

**Description**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

**Status**

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 20073028698

Registration Type: LAND CHARGE

Registration Date: 2020-Jul-30

Registration Status: Current

Registration Term: Infinity

---

Exact Match on:

Debtor

No: 2

---

**Amendments to Registration**

24041230872

Amendment

2024-Apr-12

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**Debtor(s)**

**Block**

1 LONG RUN EXPLORATION LTD.  
600, 600 3RD AVENUE SW  
CALGARY, AB T2P 0G5

**Status**

Deleted by  
24041230872

**Block**

2 LONG RUN EXPLORATION LTD.  
ELVEDEN CENTRE, 300, 707-7TH AVE SW  
CALGARY, AB T2P 3H6

**Status**

Current by  
24041230872

---

**Secured Party / Parties**

**Block**

1 CHINA CONSTRUCTION BANK TORONTO BRANCH, AS COLLATERAL AGENT  
3650 - 181 BAY STREET  
TORONTO, ON M5J 2T3  
Email: tfc@ca.ccb.com

**Status**

Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 20081405676

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Aug-14

Registration Status: Current

Expiry Date: 2026-Aug-14 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTEW1E57LKD84091	2020	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21012825363

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Jan-28

Registration Status: Current

Expiry Date: 2026-Jan-28 23:59:59

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Exact Match on: Debtor No: 1

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**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE SW  
CALGARY, AB T2P 0G5

**Secured Party / Parties**

**Block**

**Status**

Current

1 CALTEX RESOURCES LTD.  
1500, 717 - 7TH AVE SW  
CALGARY, AB T2P 0Z3  
Email: dgrandoni@caltexresources.com

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	<p>All personal property interests governed by the Joint Operating Agreement (incorporating CAPL 1990 Operating Procedure) dated June 2, 2006 among Flow-Back Oil &amp; Gas Ltd., Black Bore Resources Ltd. and Sutton Energy Ltd. (Collectively, the "Parties") as may be amended from time to time (the "Operating Agreement") including but not limited to personal property interests in:</p> <p>A. The joint lands under the Operating Agreement which include but are not limited to, Twp 76 Rge 1 W6M: Sec 20 PNG in the Stoddart and Belloy Formations (the "Joint Lands").</p> <p>B. All wells located on the Joint Lands, including the well bores, wellhead, and all materials and equipment in the wellbore.</p> <p>C. All equipment and production facilities on, or in the vicinity of the Joint Lands serving or intended to serve any well or wells located on the Joint Lands.</p> <p>D. All joint property under the Operating Agreement.</p> <p>E. All petroleum substances produced or recoverable from the Joint Lands, whether hydrocarbons or not or produced in association therewith including any substances within pipelines and flowlines.</p> <p>F. Proceeds: Proceeds in any form resulting directly or indirectly from the sale of or other dealing with any of the collateral referenced above.</p>	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

---

Registration Number: 21012825399

Registration Type: LAND CHARGE

Registration Date: 2021-Jan-28

Registration Status: Current

Registration Term: Infinity

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Exact Match on:

Debtor

No: 1

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**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE SW  
CALGARY, AB T2P 0G5

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**Secured Party / Parties**

**Block**

**Status**

Current

1 CALTEX RESOURCES LTD.  
1500, 717 - 7TH AVE SW  
CALGARY, AB T2P 0Z3  
Email: [dgrandoni@caltexresources.com](mailto:dgrandoni@caltexresources.com)

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21030135265

Registration Type: LAND CHARGE

Registration Date: 2021-Mar-01

Registration Status: Current

Registration Term: Infinity

---

Exact Match on:

Debtor

No: 1

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**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD.  
600, 600-3RD AVE S.W.  
CALGARY, AB T2P 0G5

---

**Secured Party / Parties**

**Block**

**Status**

Current

1 PRAIRIE PROVIDENT RESOURCES CANADA LTD.  
1100, 640 - 5TH STREET S.W.  
CALGARY, AB T2P 3G4  
Email: jdunne@ppr.ca

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21030915516

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Mar-09

Registration Status: Current

Expiry Date: 2026-Mar-09 23:59:59

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Exact Match on: Debtor No: 1

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600-600-3 AVENUE SW  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 RCAP LEASING INC.  
5575 NORTH SERVICE RD, STE 300  
BURLINGTON, ON L7L 6M1  
Email: cms\_alberta\_notifications@teranet.ca

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL COPIER EQUIPMENT FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AS DESCRIBED ON LEASES, CONDITIONAL SALES AGREEMENTS AND ANY OTHER FINANCING AGREEMENTS ENTERED INTO BETWEEN THE SECURED PARTY AND THE DEBTOR FROM TIME TO TIME AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS, (4) SHARP MX3071 MFP C/W ALL ATTACHMENTS AND ACCESSORIES.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21032205376

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Mar-22

Registration Status: Current

Expiry Date: 2027-Mar-22 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abpps\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E83MFA01112	2021	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21032229530

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Mar-22

Registration Status: Current

Expiry Date: 2027-Mar-22 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E82MFA00453	2021	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21040725691

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Apr-07

Registration Status: Current

Expiry Date: 2027-Apr-07 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FT7W2B69MED33333	2021	FORD F250	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21050705066

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-May-07

Registration Status: Current

Expiry Date: 2027-May-07 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
400, 250 - 2 STREET SW  
CALGARY, AB T2P0C1

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FT7W2B60MED33334	2021	FORD F250	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21051124996

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-May-11

Registration Status: Current

Expiry Date: 2027-May-11 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FT7W2B60MED33334	2021	FORD F250	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21051730868

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-May-17

Registration Status: Current

Expiry Date: 2027-May-17 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E83MKD75078	2021	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21051830171

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-May-18

Registration Status: Current

Expiry Date: 2026-May-18 23:59:59

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Exact Match on: Debtor No: 1

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**Amendments to Registration**

21052012322

Amendment

2021-May-20

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE. SW  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 BRIKO ENERGY CORP.  
1700, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Deleted by  
21052012322

**Block**

**Status**

2 BRIKO ENERGY CORP.  
1710, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Current by  
21052012322

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	<p>All personal property interests governed by the Agreement for the Construction, Ownership and Operation of the Kisku Gas Processing Facilities dated March 1, 2002 (incorporating the 1999 PJVA Operating Procedure) among Husky Oil Operations Limited and BG Exploration and Production Partnership. (collectively, the "Parties") as may be amended from time to time (the "Operating Agreement") including but not limited to personal property interests in:</p> <p>A. All present and future goods comprised of the Debtor's share of the substances recovered from the facility as is described in the Operating Agreement, which are available for delivery from such facility pursuant to the Operating Agreement.</p> <p>B. All present and future securities and intangibles comprised of the Debtor's right, title and interest in and to the percentage interest ownership of the Debtor in the facility as is described in the Operating Agreement.</p> <p>C. Proceeds: Proceeds in any form resulting directly or indirectly from the sale of or other dealing with any of the collateral referenced above.</p>	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21051830283

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-May-18

Registration Status: Current

Expiry Date: 2026-May-18 23:59:59

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Exact Match on: Debtor No: 1

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**Amendments to Registration**

21052012925

Amendment

2021-May-20

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE. SW  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 BRIKO ENERGY CORP.  
1700, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Deleted by  
21052012925

**Block**

**Status**

2 BRIKO ENERGY CORP.  
1710, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Current by  
21052012925

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	<p>All personal property interests governed by the Joint Operating Agreement dated October 24, 2002 (incorporating the 1990 CAPL Operating Procedure) among Husky Oil Operations Limited and El Paso Velvet Exploration Partnership. as may be amended from time to time (the "Operating Agreement") including but not limited to personal property interests in:</p> <p>A. The joint lands under the Operating Agreement which include but are not limited to, TWP 57 RGE 2 W6M: 13. PNG to base Cardium (the "Joint Lands").</p> <p>B. All wells located on the Joint Lands, including the well bores, wellhead, and all materials and equipment in the wellbore.</p> <p>C. All equipment and production facilities on, or in the vicinity of the Joint Lands serving or intended to serve any well or wells located on the Joint Lands.</p> <p>D. All joint property under the Operating Agreement.</p> <p>E. All petroleum substances produced or recoverable from the Joint Lands, whether hydrocarbons or not or produced in association therewith including any substances within pipelines and flowlines.</p> <p>F. Proceeds: Proceeds in any form resulting directly or indirectly from the sale of or other dealing with any of the collateral referenced above.</p>	Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21051830344

Registration Type: LAND CHARGE

Registration Date: 2021-May-18

Registration Status: Current

Registration Term: Infinity

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Exact Match on:

Debtor

No: 1

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**Amendments to Registration**

21052013201

Amendment

2021-May-20

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE. SW  
CALGARY, AB T2P 0G5

Current

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**Secured Party / Parties**

**Block**

**Status**

1 BRIKO ENERGY CORP.  
1700, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Deleted by  
21052013201

**Block**

**Status**

2 BRIKO ENERGY CORP.  
1710, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Current by  
21052013201

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21051830627

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-May-18

Registration Status: Current

Expiry Date: 2026-May-18 23:59:59

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Exact Match on:

Debtor

No: 1

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**Amendments to Registration**

21052013487

Amendment

2021-May-20

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**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE. SW  
CALGARY, AB T2P 0G5

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**Secured Party / Parties**

**Block**

**Status**

Deleted by  
21052013487

1 BRIKO ENERGY CORP.  
1700, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

**Block**

**Status**

Current by  
21052013487

2 BRIKO ENERGY CORP.  
1710, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	<p>All personal property interests governed by the Joint Operating Agreement dated July 23, 2003 (incorporating the 1990 CAPL Operating Procedure) among Husky Oil Operations Limited, Talisman Energy Canada and El Paso Velvet Exploration Partnership. as may be amended from time to time (the "Operating Agreement") including but not limited to personal property interests in:</p> <p>A. The joint lands under the Operating Agreement which include but are not limited to, TWP 57 Rge 2 W6M: 33, 34; and TWP 58 RGE 2 W6M: 1, 12. PNG to base Cardium (the "Joint Lands").</p> <p>B. All wells located on the Joint Lands, including the well bores, wellhead, and all materials and equipment in the wellbore.</p> <p>C. All equipment and production facilities on, or in the vicinity of the Joint Lands serving or intended to serve any well or wells located on the Joint Lands.</p> <p>D. All joint property under the Operating Agreement.</p> <p>E. All petroleum substances produced or recoverable from the Joint Lands, whether hydrocarbons or not or produced in association therewith including any substances within pipelines and flowlines.</p> <p>F. Proceeds: Proceeds in any form resulting directly or indirectly from the sale of or other dealing with any of the collateral referenced above.</p>	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21051830762

Registration Type: LAND CHARGE

Registration Date: 2021-May-18

Registration Status: Current

Registration Term: Infinity

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Exact Match on:

Debtor

No: 1

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**Amendments to Registration**

21052013894

Amendment

2021-May-20

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**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD AVE. SW  
CALGARY, AB T2P 0G5

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**Secured Party / Parties**

**Block**

**Status**

Deleted by  
21052013894

1 BRIKO ENERGY CORP.  
1700, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

**Block**

**Status**

Current by  
21052013894

2 BRIKO ENERGY CORP.  
1710, 736 6TH AVE. SW  
CALGARY, AB T2P 3T7  
Email: KBenders@brikoenergy.com

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 21062930958

Registration Type: WRIT OF ENFORCEMENT

Registration Date: 2021-Jun-29

Registration Status: Current

Expiry Date: 2025-May-30 23:59:59

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Issued in Edmonton Judicial Centre

Court File Number is 2103 07699

Judgment Date is 2021-May-14

This Writ was issued on 2021-May-14

Type of Judgment is Crown

Original Judgment Amount: \$113.40

Costs Are: \$0.00

Post Judgment Interest: \$0.00

Current Amount Owing: \$113.40

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Exact Match on:

Debtor

No: 2

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**Amendments to Registration**

23053023007

Renewal

2023-May-30

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**Solicitor / Agent**

SERVICE ALBERTA, CROWN DEBT COLLECTIONS  
8TH FLOOR, JOHN E. BROWNLEE BUILDING  
EDMONTON, AB T5J 3W7

Phone #: 780 644 4050

Email: TBFPParalegalServices@gov.ab.ca

---

**Debtor(s)**

**Block**

**Status**

1 SCAVENGER ENERGY LTD.  
700, 2103 - 11 AVENUE  
REGINA, SK S4P 4G1

Current

Search ID #: Z17536222

**Block**

2 LONG RUN EXPLORATION LTD.  
1900, 520 - 3 AVE SW  
CALGARY, AB T2P 0R3

**Status**

Current

**Creditor(s)**

**Block**

1 HER MAJESTY THE QUEEN IN RIGHT OF ALBERTA  
C/O PO BOX 11416  
EDMONTON, AB T5J 3K6  
Email: TBFPParalegalServices@gov.ab.ca

**Status**

Current

**Particulars**

**Block**

**Additional Information**

1 Full name of Creditor: HER MAJESTY THE QUEEN IN RIGHT OF ALBERTA, as  
represented by the MINISTER OF TREASURY BOARD AND FINANCE

**Status**

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21093018764

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Sep-30

Registration Status: Current

Expiry Date: 2027-Sep-30 23:59:59

Exact Match on: Debtor No: 1

**Amendments to Registration**

24010322118

Amendment

2024-Jan-03

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: ABppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTEW1E50LFC69566	2020	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW1E54LKF29754	2020	FORD F-150	MV - Motor Vehicle	Deleted By 24010322118
3	1FTEW1E53LKF29756	2020	FORD F-150	MV - Motor Vehicle	Current

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21101912354

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Oct-19

Registration Status: Current

Expiry Date: 2027-Oct-19 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: ABppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E84MFC52897	2021	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21102227951

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Oct-22

Registration Status: Current

Expiry Date: 2027-Oct-22 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: ABppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E85MFC52908	2021	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21111103746

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Nov-11

Registration Status: Current

Expiry Date: 2027-Nov-11 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: ABppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FT7W2B6XNEC49927	2022	FORD F-250	MV - Motor Vehicle	Current
2	1FTFW1E87MFC52909	2021	FORD F-150	MV - Motor Vehicle	Current
3	1FTFW1E83MFC52910	2021	FORD F-150	MV - Motor Vehicle	Current
4	1FTFW1E85MFC52911	2021	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 21112515536

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Nov-25

Registration Status: Current

Expiry Date: 2027-Nov-25 23:59:59

Exact Match on: Debtor No: 1

**Amendments to Registration**

24021508045

Amendment

2024-Feb-15

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: ABppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E85MKE60052	2021	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW1E82MFC52896	2021	FORD F-150	MV - Motor Vehicle	Current
3	1FTFW1E80MFC52895	2021	FORD F-150	MV - Motor Vehicle	Deleted By 24021508045

Search ID #: Z17536222

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22041226524

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Apr-12

Registration Status: Current

Expiry Date: 2028-Apr-12 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	3C6TR5EJ4NG220513	2022	RAM 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 22053135312

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-May-31

Registration Status: Current

Expiry Date: 2025-May-31 23:59:59

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Exact Match on:

Debtor

No: 1

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
331021 RANGE ROAD 26-3  
TORRINGTON, AB T0M 2B0

Current

**Secured Party / Parties**

**Block**

**Status**

1 702856 ALBERTA LTD  
940A 11TH AVENUE SW  
CALGARY, AB T2R 0E7  
Phone #: 403 262 7224  
Email: dm@gocip.com

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 Sharp 36 PPM Color MFP Copier Serial Number 4305191X

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 22062125598

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Jun-21

Registration Status: Current

Expiry Date: 2025-Jun-21 23:59:59

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Exact Match on:

Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
331021 RANGE ROAD 26-3  
TORRINGTON, AB T0M 2B0

Current

**Secured Party / Parties**

**Block**

**Status**

1 702856 ALBERTA LTD O/A CONTINENTAL IMAGING PRODUCTS  
940A 11TH AVENUE SW  
CALGARY, AB T2R 0E7  
Email: pb@gocip.com

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 Sharp 36PPM Colour MFP Copier Serial Number 4503191X

Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22070903587

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Jul-09

Registration Status: Current

Expiry Date: 2028-Jul-09 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abpps\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E86NFB07166	2022	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22072705293

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Jul-27

Registration Status: Current

Expiry Date: 2028-Jul-27 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	4XARRE992N8012310	2022	POLARIS RANGER	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 22080829771

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Aug-08

Registration Status: Current

Expiry Date: 2025-Aug-08 23:59:59

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Exact Match on:

Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
10071 - 120 AVENUE, #6  
GRAND PRAIRIE, AB T8V 8H8

Current

**Secured Party / Parties**

**Block**

**Status**

1 702856 ALBERTA LTD. O/A CONTINENTAL IMAGING PRODUCTS  
940A 11TH AVENUE SW  
CALGARY, AB T2R 0E7  
Email: pb@gocip.com

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 Sharp 36 PPM Colour MFP Copier Serial Number 15094466

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 22080829822

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Aug-08

Registration Status: Current

Expiry Date: 2025-Aug-08 23:59:59

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Exact Match on:

Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
4612 - 44 STREET BOX 456  
REDWATER, AB T0A 2W0

Current

**Secured Party / Parties**

**Block**

**Status**

1 702856 ALBERTA LTD. O/A CONTINENTAL IMAGING PRODUCTS  
940A 11TH AVENUE SW  
CALGARY, AB T2R 0E7  
Email: pb@gocip.com

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 Sharp 36 PPM Colour MFP Copier Serial Number 25029311

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22090225292

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Sep-02

Registration Status: Current

Expiry Date: 2028-Sep-02 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

Current

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

**Secured Party / Parties**

**Block**

**Status**

Current

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E89NKE46687	2022	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW1E84NKE46743	2022	FORD F-150	MV - Motor Vehicle	Current
3	1FTFW1E87NKE46817	2022	FORD F-150	MV - Motor Vehicle	Current
4	1FTFW1E86NKE46954	2022	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22101317616

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Oct-13

Registration Status: Current

Expiry Date: 2028-Oct-13 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E89NKE46687	2022	FORD F150	MV - Motor Vehicle	Current
2	1FTFW1E87NKE46817	2022	FORD F150	MV - Motor Vehicle	Current
3	1FTFW1E86NKE46954	2022	FORD F150	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22111516193

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Nov-15

Registration Status: Current

Expiry Date: 2027-Nov-15 23:59:59

Exact Match on: Debtor No: 1

**Amendments to Registration**

23092213959

Amendment

2023-Sep-22

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
EAU CLAIR TOWER 600, 600 3RD AVE SW  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 MIDSTREAM EQUIPMENT CORP.  
BOX 5799  
HIGH RIVER, AB T1V 1P3  
Phone #: 587 583 1642  
Email: jenna.oreilly@midstreamequipment.com

Deleted by  
23092213959

**Block**

**Status**

2 MIDSTREAM EQUIPMENT CORPORATION LTD..  
27 DURUM DRIVE  
WHEATLAND COUNTY, AB T1P 0R7  
Phone #: 587 583 1642  
Email: jenna.oreilly@midstreamequipment.com

Current by  
23092213959

**Collateral: General**

**Block**

**Description**

**Status**

1 Unit 1180 Natural Gas Comperssor 99HP Cummins 8.3 Engine GE8302 Compressor

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22111516300

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Nov-15

Registration Status: Current

Expiry Date: 2027-Nov-15 23:59:59

Exact Match on: Debtor No: 1

**Amendments to Registration**

23092126354

Amendment

2023-Sep-21

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
EAU CLAIRE TOWER 600,600 3RD AVE SW  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 MIDSTREAM EQUIPMENT CORP.  
BOX 5799  
HIGH RIVER, AB T1V 1P3  
Phone #: 587 583 1642  
Email: jenna.oreilly@midstreamequipment.com

Deleted by  
23092126354

**Block**

**Status**

2 MIDSTREAM EQUIPMENT CORPORATION LTD.  
27 DURUM DRIVE  
WHEATLAND COUNTY, AB T1P 0R7  
Phone #: 587 583 1642  
Email: jenna.oreilly@midstreamequipment.com

Current by  
23092126354

**Collateral: General**

**Block**

**Description**

**Status**

1 Unit 1030 Natural Gas Compressor Cat 3306TA Engine 203HP Ariel JGA2 Compressor

Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22120204837

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Dec-02

Registration Status: Current

Expiry Date: 2028-Dec-02 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E89NFB60038	2022	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 22121520428

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Dec-15

Registration Status: Current

Expiry Date: 2028-Dec-15 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	2GC4YLE76P1710066	2023	CHEVROLET SILVER 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23010626436

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Jan-06

Registration Status: Current

Expiry Date: 2029-Jan-06 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E84PFA02791	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23010916582

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Jan-09

Registration Status: Current

Expiry Date: 2029-Jan-09 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E84PFA02791	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23030915989

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Mar-09

Registration Status: Current

Expiry Date: 2029-Mar-09 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1GT49LE76PF239381	2023	GMC SIERRA 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23040603556

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Apr-06

Registration Status: Current

Expiry Date: 2029-Apr-06 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E88PFA59334	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23051106005

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-May-11

Registration Status: Current

Expiry Date: 2029-May-11 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abpps\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1GT49LE76PF237730	2023	GMC SIERRA 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23051116244

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-May-11

Registration Status: Current

Expiry Date: 2029-May-11 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abpps\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	2GC4YNE72P1719987	2023	CHEVROLET SILVER 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23062307592

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Jun-23

Registration Status: Current

Expiry Date: 2029-Jun-23 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E87PKD79848	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23070521783

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Jul-05

Registration Status: Current

Expiry Date: 2029-Jul-05 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	4XARRE991P8437665	2023	POLARIS RANGER	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23071926513

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Jul-19

Registration Status: Current

Expiry Date: 2029-Jul-19 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E84PKE41920	2023	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW1E82PKE40913	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23071927801

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Jul-19

Registration Status: Current

Expiry Date: 2029-Jul-19 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	3C6UR5CJ6PG582496	2023	DODGE RAM 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23080226547

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Aug-02

Registration Status: Current

Expiry Date: 2029-Aug-02 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E85PKD79279	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23080417015

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Aug-04

Registration Status: Current

Expiry Date: 2029-Aug-04 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E85PKE41179	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23091811318

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Sep-18

Registration Status: Current

Expiry Date: 2029-Sep-18 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E83PFB74861	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23120706920

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Dec-07

Registration Status: Current

Expiry Date: 2029-Dec-07 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E81PFC78877	2023	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW1E88PFC80027	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Current



Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 23120810821

Registration Type: SECURITY AGREEMENT

Registration Date: 2023-Dec-08

Registration Status: Current

Expiry Date: 2029-Dec-08 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW1E8XPFC78876	2023	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW1E89PFC79968	2023	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 24013129477

Registration Type: SECURITY AGREEMENT

Registration Date: 2024-Jan-31

Registration Status: Current

Expiry Date: 2028-Jan-31 23:59:59

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Exact Match on: Debtor No: 1

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
600, 600 - 3RD STREET S.W.  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 PEMPINA PIPELINE CORPORATION  
4000, 585 - 8TH AVENUE S.W.  
CALGARY, AB T2P 2G1  
Email: legalnotices@pembina.com

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 All of the Debtor' s petroleum, including without limitation crude petroleum, ethane plus, propane plus, butane and condensate, in the custody of the Secured Party from time to time under, pursuant to or in accordance with any transportation services agreement between the Debtor and the Secured Party and all proceeds in any form arising in connection with the collateral described above.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

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Registration Number: 24022116178

Registration Type: LAND CHARGE

Registration Date: 2024-Feb-21

Registration Status: Current

Registration Term: Infinity

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Exact Match on: Debtor No: 1

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**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD.  
EAU CLAIRE TOWER 600, 600 3RD AVE SW  
CALGARY, AB T2P 0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 PERRON VENTURES LTD.  
PO BOX 2182 70259 RR 230  
VALLEYVIEW, AB T0H 3N0  
Email: rod@perronventures.com

Current

**Particulars**

**Block**

**Additional Information**

**Status**

1 Gas Plant Located at 7 of 4 71-18-W5

Current

**Block**

**Additional Information**

**Status**

2 Gas Plant Located at 7 of 12 75-3-W6

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 24031821894

Registration Type: SECURITY AGREEMENT

Registration Date: 2024-Mar-18

Registration Status: Current

Expiry Date: 2030-Mar-18 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

<b><u>Block</u></b>		<b><u>Status</u></b>
1	LONG RUN EXPLORATION LTD 600, 600 3 AVE SW CALGARY, AB T2P0G5	Current

**Secured Party / Parties**

<b><u>Block</u></b>		<b><u>Status</u></b>
1	SUMMIT ACCEPTANCE CORP 1260 HIGHFIELD CRES SE CALGARY, AB T2G5M3 Email: abppsa_notifications@kaizenauto.com	Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	3C6UR5CJ0RG177866	2024	RAM 2500	MV - Motor Vehicle	Current
2	3C6UR5CJ2RG177867	2024	RAM 2500	MV - Motor Vehicle	Current
3	3C6UR5CJ4RG177868	2024	RAM 2500	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 24050123297

Registration Type: SECURITY AGREEMENT

Registration Date: 2024-May-01

Registration Status: Current

Expiry Date: 2030-May-01 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

**Block**

**Status**

1 LONG RUN EXPLORATION LTD  
600, 600 3 AVE SW  
CALGARY, AB T2P0G5

Current

**Secured Party / Parties**

**Block**

**Status**

1 SUMMIT ACCEPTANCE CORP  
1260 HIGHFIELD CRES SE  
CALGARY, AB T2G5M3  
Email: abppsa\_notifications@kaizenauto.com

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW3L89RKD67038	2024	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW3L82RKD62599	2024	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

**Block**

**Description**

**Status**

1 ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.

Current

Search ID #: Z17536222

**Business Debtor Search For:**

LONG RUN EXPLORATION LTD.

Search ID #: Z17536222

Date of Search: 2024-Jun-27

Time of Search: 07:33:31

Registration Number: 24051005579

Registration Type: SECURITY AGREEMENT

Registration Date: 2024-May-10

Registration Status: Current

Expiry Date: 2030-May-10 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)**

<b><u>Block</u></b>		<b><u>Status</u></b>
1	LONG RUN EXPLORATION LTD 600, 600 3 AVE SW CALGARY, AB T2P0G5	Current

**Secured Party / Parties**

<b><u>Block</u></b>		<b><u>Status</u></b>
1	SUMMIT ACCEPTANCE CORP 1260 HIGHFIELD CRES SE CALGARY, AB T2G5M3 Email: abppsa_notifications@kaizenauto.com	Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	1FTFW3L86RKD64940	2024	FORD F-150	MV - Motor Vehicle	Current
2	1FTFW3L87RKD62596	2024	FORD F-150	MV - Motor Vehicle	Current
3	1FTFW3L88RKD62056	2024	FORD F-150	MV - Motor Vehicle	Current

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS TO THE ABOVE MENTIONED COLLATERAL AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH SUCH COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR ANY PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO SUCH COLLATERAL OR PROCEEDS OF SUCH COLLATERAL. PROCEEDS: GOODS, SECURITIES, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.	Current

**Search ID #: Z17536222**

Result Complete

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “E” – Financial Statements**



**LONG RUN EXPLORATION LTD.**

**Financial Statements**

**December 31, 2017**





Deloitte LLP  
700, 850 2 Street SW  
Calgary, AB T2P 0R8  
Canada

Tel: 403-267-1700  
Fax: 587-774-5379  
www.deloitte.ca

## **INDEPENDENT AUDITOR'S REPORT**

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of Long Run Exploration Ltd. as at December 31, 2017, and its financial performance and its cash flows for year then ended, in accordance with International Financial Reporting Standards.

*Deloitte LLP*

Chartered Professional Accountants

Calgary, Alberta  
March 29, 2018

## Statement of Financial Position

(\$000s)	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents	34,407	10,866
Accounts receivable	44,891	30,826
Deposits and prepaid expenses	8,433	5,316
Fair value of financial derivatives (note 15)	632	-
	<b>88,363</b>	<b>47,008</b>
Property and equipment (note 5)	<b>1,130,839</b>	<b>1,090,450</b>
	<b>1,219,202</b>	<b>1,137,458</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	58,544	109,943
Bank loan (note 7, 15)	-	386,000
Due to Calgary Sinoenergy (note 8)	-	228,311
	<b>58,544</b>	<b>724,254</b>
Bank loan (note 7)	413,449	-
Due to Calgary Sinoenergy (note 8)	350,674	-
Convertible debentures (note 9)	72,950	71,218
Decommissioning liabilities (note 6)	367,701	419,636
	<b>1,263,318</b>	<b>1,215,108</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 10)	1,013,629	1,013,629
Equity component of convertible debentures (note 9)	3,483	3,483
Contributed surplus (note 10)	27,206	27,206
Retained earnings (deficit)	(1,088,434)	(1,121,968)
	<b>(44,116)</b>	<b>(77,650)</b>
	<b>1,219,202</b>	<b>1,137,458</b>
Commitments and contingencies (note 17)		
Subsequent events (note 8, 15 and 17)		

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors:

(signed)  
Lake Deng  
Director

## Statement of Earnings (Loss) and Comprehensive Income (Loss)

(\$000s, except per share amounts)	Year ended December 31	
	2017	2016
<b>INCOME</b>		
Petroleum and natural gas revenue	259,418	191,170
Royalties	(13,294)	(6,985)
	<b>246,124</b>	<b>184,185</b>
Gain (loss) on financial derivatives (note 15)		
- realized	2,160	23,678
- unrealized	632	(16,847)
	<b>248,916</b>	<b>191,016</b>
<b>EXPENSES</b>		
Operating	105,038	109,300
Transportation	12,697	15,090
General and administration (note 12)	13,284	32,685
Share-based compensation (note 10)	-	1,982
Interest	27,414	27,865
Accretion (note 6, 7, 9)	9,803	13,228
Depletion and depreciation (note 5)	145,346	145,503
Gain on disposal of assets	(8,200)	(1,754)
Impairment reversal (note 5)	(90,000)	-
	<b>215,382</b>	<b>343,899</b>
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>33,534</b>	<b>(152,883)</b>
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE (note 10)</b>		
Basic	0.17	(0.78)
Diluted	0.17	(0.78)

See accompanying notes to the financial statements.

## Statement of Changes in Shareholders' Equity

<i>(\$000s)</i>	Share Capital <i>(note 10)</i>	Equity Component of Convertible Debentures <i>(note 9)</i>	Contributed Surplus <i>(note 10)</i>	Retained Earnings (Deficit)	Total
January 1, 2016	1,006,799	3,483	31,204	(969,085)	72,401
Share-based compensation	-	-	2,832	-	2,832
Restricted awards exercised	6,830	-	(6,830)	-	-
Comprehensive loss	-	-	-	(152,883)	(152,883)
December 31, 2016	1,013,629	3,483	27,206	(1,121,968)	(77,650)
Comprehensive earnings	-	-	-	33,534	33,534
December 31, 2017	<b>1,013,629</b>	<b>3,483</b>	<b>27,206</b>	<b>(1,088,434)</b>	<b>(44,116)</b>

See accompanying notes to the financial statements.

## Statement of Cash Flows

(\$000s)	Year ended December 31	
	2017	2016
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	33,534	(152,883)
Items not requiring cash:		
Unrealized (gain) loss on financial derivatives (note 15)	(632)	16,847
Share-based compensation (note 10)	-	1,982
Accretion (note 6, 7, 9)	9,803	13,228
Depletion and depreciation (note 5)	145,346	145,503
Gain on disposal of assets	(8,200)	(1,754)
Impairment reversal (note 5)	(90,000)	-
Abandonment costs (note 6)	(8,713)	(2,268)
Changes in non-cash working capital (note 16)	(12,405)	16,271
	<b>68,733</b>	<b>36,926</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures (note 5)	(134,317)	(98,260)
Acquisitions	(5,442)	(230)
Dispositions (note 5)	1,472	613
Changes in non-cash working capital (note 16)	(46,033)	48,399
	<b>(184,320)</b>	<b>(49,478)</b>
<b>FINANCING ACTIVITIES</b>		
Bank loan (note 7)	416,000	-
Bank loan repayment (note 7)	(386,000)	(196,588)
Bank fees paid (note 7)	(3,092)	-
Due to Calgary Sinoenergy (note 8)	112,220	220,006
	<b>139,128</b>	<b>23,418</b>
<b>CHANGE IN CASH</b>	<b>23,541</b>	<b>10,866</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>10,866</b>	<b>-</b>
<b>CASH, END OF YEAR</b>	<b>34,407</b>	<b>10,866</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	13,681	19,781

See accompanying notes to the financial statements.



## Notes to the Financial Statements

### For the year ended December 31, 2017

#### 1. REPORTING ENTITY

Long Run Exploration Ltd. ("Long Run" or the "Company") is incorporated under the *Business Corporations Act* (Alberta).

The Company is in the business of development, acquisition, exploration and production of oil and natural gas in western Canada.

The principal address of the Company is located at 600, 600 3<sup>rd</sup> Avenue SW, Calgary, Alberta, T2P 0G5.

#### 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), on the historical cost basis except where noted in the accounting policies. The financial statements are presented in Canadian dollars.

The financial statements have been prepared on a going concern basis which contemplate the realization of assets and the settlement liabilities in the normal course of business as they become due which is based upon management's estimate of the Company's ability to continue to generate of profits from operations and the continuing ability to meet its covenants associated with its credit facilities in the foreseeable future (see Notes 7 and 11).

The financial statements were authorized for issue by the Board of Directors on March 29, 2018.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Estimates, assumptions and judgments*

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 the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Changes to accounting estimates are recognized in the period in which the estimates are revised.

The amounts recorded for exploration and evaluation assets, property and equipment, depletion and depreciation and impairment testing are based on estimates of proven and probable reserves, production rates, oil and natural gas prices, future costs, future prices and other relevant assumptions. The cash generating unit ("CGU") to which an asset belongs is subject to the judgment of management.

Assumptions that are valid at the time of reserves estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves. Changes in the economic environment could result in significant changes to the discount rate used to calculate net present values.

The provision for decommissioning liabilities is based on estimates of costs and expected plans for remediation. Actual costs may differ from those estimated due to changes in laws and regulations, technology, market and other conditions.

Accruals for revenue, royalties and costs are prepared based on estimates when actual amounts are not yet known. Share-based compensation amounts are determined using certain assumptions (see Note 10).

## Notes to the Financial Statements

### For the year ended December 31, 2017

The fair value of financial derivatives is based on fair values estimates provided by the counterparties with whom the transactions were completed. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

The provision for income and other tax liabilities, requiring the interpretation of complex laws and regulations which are subject to change, is subject to measurement uncertainty. The recognition of income tax assets requires a determination of the likelihood that they will be realized from future taxable earnings.

#### *Cash and cash equivalents*

Cash and cash equivalents may include highly liquid short-term investments with initial maturities of three months or less. They are recorded at cost which approximates fair market value.

#### *Financial instruments*

All financial assets excluding derivatives are classified as loans or receivables and are accounted for on an amortized cost basis. All financial liabilities excluding derivatives are classified as other liabilities and are accounted for on an amortized cost basis. Financial instruments recognized on the Company's statement of financial position are deemed to approximate their estimated fair values.

Convertible debentures are separated into their liability and equity components. The liability component accretes to the principal balance at maturity using the effective interest rate method. The equity component will be reclassified to share capital upon conversion. Any balance in equity that remains after the settlement of the liability is transferred to contributed surplus. The equity portion is recognized net of deferred income taxes and issuance costs.

Financial derivatives that have not been designated as accounting hedges are classified as fair value through profit or loss. Financial derivatives are recorded and carried on the statement of financial position at fair value with actual amounts received or paid on the settlement of the financial derivative instrument recorded in income.

At each reporting date, the Company determines whether transfers have occurred between levels in the fair value hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair value in the financial statements. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

#### *Joint operations*

The Company's petroleum and natural gas activities may be conducted jointly with others. Joint operations, whereby the jointly controlling parties have rights to the assets and obligations for the liabilities of the arrangement, are accounted for using proportionate consolidation. The financial statements reflect only the Company's proportionate interest in such activities.

#### *Exploration and evaluation assets*

Expenditures incurred before the Company has obtained the legal right to explore are expensed in the statement of earnings as exploration expense.

Exploration and evaluation assets reflect expenditures for an area where technical feasibility and commercial viability has not yet been determined. Expenditures, including land acquisition, geological and geophysical, drilling and completion costs are capitalized and accumulated pending determination of technical feasibility and commercial viability. Evaluation and exploration assets are not depleted. When assets are determined to be technically feasible and commercially viable, the accumulated costs



## Notes to the Financial Statements

### For the year ended December 31, 2017

are assessed for impairment within the CGU and the recoverable amount is transferred to property and equipment.

Exploration and evaluation assets are also assessed for impairment if facts and circumstances suggest the carrying amount exceeds the recoverable amount.

#### *Property and equipment*

Property and equipment are stated at cost less accumulated depletion and depreciation and accumulated impairments.

#### *Petroleum and natural gas properties*

Property and equipment includes transfers of exploration and evaluation assets, property acquisitions, facilities, directly attributable overhead and share-based compensation expense, as well as land acquisition, geological and geophysical, drilling and completion costs incurred within an area considered to be technically feasible and commercially viable.

Property and equipment is depleted on the unit of production method using estimated gross proven and probable petroleum and natural gas reserves, determined annually by independent professional engineers. Petroleum and natural gas reserves are converted to a common unit of measure on an energy equivalent basis of six mcf of gas to one barrel of oil. Estimated future development costs necessary to bring the reserves into production are included in the depletion calculation. Assets may be excluded from depletion until capable of operation. Undeveloped land is amortized into the depletable base over the term of the leases.

Reserves are the remaining quantities of oil, natural gas and related substances from known accumulations estimated to be recoverable from a given date forward. The estimates of reserves are determined from drilling, geological, geophysical and engineering data based on established technology and specified economic conditions. The guidelines for the determination and classification of reserves are outlined in the Canadian Oil and Gas Evaluation Handbook.

Proven plus probable reserve estimate is defined as a "best estimate" of the remaining recoverable quantities of oil, natural gas and related substances. This estimate should best represent the expected outcome with no optimism or conservatism. In probabilistic terms, there should be at least a 50 percent probability that the quantities actually recovered in the future will equal or exceed the proven plus probable reserve estimate.

Property and equipment is tested for impairment when indications of impairment exist.

#### *Assets held for sale*

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in net earnings in the period measured. Assets and disposal groups held for sale are presented in current assets and liabilities on the statement of financial position.

#### *Disposals*

Any gain or loss on the disposal of assets, including oil and natural gas properties, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of earnings.

## Notes to the Financial Statements

### For the year ended December 31, 2017

#### *Non-monetary transactions*

Non-monetary transactions for the acquisition or disposal of property and equipment are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured.

#### *Impairments*

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the recoverable amount is less than the carrying value, the asset is considered to be impaired. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

In assessing value in use, 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 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 proven and probable reserves.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Available fair value indicators, such as recent market transaction information and appropriately discounted cash flow valuation models, are used in determining fair value less costs to sell.

An impairment is recognized in the statement of earnings. An impairment recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and subsequently to other assets in the CGU. An impairment recognized in prior periods for an asset other than goodwill is reversed if there has been a change in facts and circumstances used to determine the asset's recoverable amount since the last impairment was recognized, such that the impairment no longer exists or has decreased. An impairment is only reversed 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, if no impairment had been recognized.

#### *Leases*

The Company's leases are classified as either finance or operating. Finance leases are those which transfer substantially all the benefits and risks of ownership to the lessee. Assets acquired under finance leases are depleted along with property and equipment. Obligations recorded under finance leases are reduced by the principal portion of lease payments as incurred and the imputed interest portion of finance lease payments is charged to interest expense. Payments under operating leases are expensed as incurred.

#### *Decommissioning liabilities*

Decommissioning liabilities arise from the legal obligation to abandon and reclaim property, plant and equipment incurred upon acquisition, construction, development and normal use of the asset. The initial liability is measured at the discounted value of the estimated costs to reclaim and abandon using a risk free rate, subsequently adjusted for the accretion of discount and changes in expected costs. The decommissioning cost is capitalized as part of exploration and evaluation assets or property and equipment, as applicable. The costs capitalized to property and equipment are depleted into earnings based on units of production. Actual costs incurred upon settlement of the obligations are charged against the liability.

#### *Revenue recognition*

Petroleum and natural gas sales are recognized when delivery of the product has been completed and the risks and rewards have passed to an external party.



## Notes to the Financial Statements

### For the year ended December 31, 2017

#### *Share-based compensation*

The grant date fair values of share-based compensation awards are recognized over the vesting periods of the awards, with an offsetting credit to contributed surplus. The Black-Scholes option pricing model is used to calculate the fair value of stock awards granted. The estimated forfeiture rate is adjusted to reflect the actual number of awards that vest. Consideration paid by the award holders on the exercise of stock awards is credited to share capital, together with the related share-based compensation previously included in contributed surplus.

#### *Cash settled compensation*

From time to time, the Company may choose to award employees, directors and other service providers with incentive awards whose value is derived from the performance of the Company's share price. If such plans are to be settled in cash, the awards are measured at fair value at the end of each reporting period, where fair value is the amount at which the liability could be settled. The liability is recorded on the statement of financial position with changes in fair value included in the statement of earnings.

#### *Income taxes*

Income tax expense is recognized in the statement of earnings, except to the extent it relates to items recognized directly in equity, in which case the related income tax is also recognized in equity.

Deferred tax is recognized using the statement of financial position method. Under this method, deferred income tax assets and liabilities are recognized based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is neither a business combination nor an event resulting in income or expense. Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. A deferred tax asset is recognized only to the extent it is probable that future taxable profits will be available against which the asset can be utilized.

#### *Earnings per share*

Basic earnings per share amounts are calculated by dividing the net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings and the weighted average number of common shares outstanding using the treasury stock method for the effects of dilutive instruments such as outstanding stock options.

#### *Provisions*

A provision is recognized if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured using the best estimate of the amount required to settle the obligation.

**Notes to the Financial Statements**  
For the year ended December 31, 2017

#### 4. CHANGES IN ACCOUNTING POLICIES

*Future Accounting Pronouncements*

- IFRS 2, *Share-based Payment*, clarifies the classification and measurement of certain types of share-based payment transactions. The amendment must be adopted January 1, 2018. The adoption of this standard will not have a material impact on the Company's financial statements.
- IFRS 9, *Financial Instruments*, clarifies guidance on the classification and measurement of financial assets, including impairment, and supplements the hedge accounting principles published in 2013. The IFRS must be adopted January 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's financial statements.
- IFRS 15, *Revenue from Contracts with Customers*, clarifies the principles for recognizing revenue from contracts with customers and provides a model for the recognition and measurement of sales of certain non-financial assets. The IFRS must be adopted January 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's financial statements, however, the Company anticipates that there will be additional disclosures.
- IFRS 16, *Leases*, provides guidance on the recognition of leases on the statement of financial position. The IFRS must be adopted January 1, 2019. The Company has not yet assessed the impact of this standard on the Company's financial statements.

#### 5. PROPERTY AND EQUIPMENT

<i>(\$000s)</i>	<b>December 31, 2017</b>	December 31, 2016
Property and equipment cost	<b>2,748,077</b>	2,960,514
Accumulated depletion, depreciation and impairment	<b>(1,617,238)</b>	(1,870,064)
Net book value	<b>1,130,839</b>	1,090,450

***Property and Equipment Cost***

<i>(\$000s)</i>	<b>December 31, 2017</b>	December 31, 2016
Balance, beginning of year	<b>2,960,514</b>	2,858,769
Additions	<b>141,135</b>	104,492
Acquisitions	<b>5,459</b>	253
Change in decommissioning liabilities estimate ( <i>note 6</i> )	<b>(4,765)</b>	(2,504)
Disposals	<b>(354,266)</b>	(496)
Balance, end of year	<b>2,748,077</b>	2,960,514



**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

***Accumulated Depletion, Depreciation and Impairment***

(\$000s)	December 31, 2017	December 31, 2016
Balance, beginning of year	(1,870,064)	(1,724,574)
Depletion and depreciation expense	(145,346)	(145,503)
Disposals	308,172	13
Impairment reversal	90,000	-
Balance, end of year	<b>(1,617,238)</b>	<b>(1,870,064)</b>

At December 31, 2017, undeveloped land of \$6.0 million was excluded from costs subject to depletion (December 31, 2016 - \$7.8 million). Future development costs of \$1.1 billion were added into costs subject to depletion (December 31, 2016 - \$1.0 billion).

During 2017, proceeds of \$1.5 million were received for the dispositions of non-core properties, primarily in the Kaybob area, resulting in gains on dispositions of \$8.2 million.

At December 31, 2017, the Company recorded a net impairment reversal of \$90.0 million. A reversal of impairment at Redwater (approximately \$190.0 million) was partially offset by an impairment expense at Peace (approximately \$100.0 million). These adjustments were primarily attributable to technical reserve revisions. The recoverable amounts of the Company's CGU's were estimated at fair value less costs to sell, based on the net present value of after-tax cash flows from oil and natural gas reserves, using reserve values estimated by independent reserve evaluators, and the estimated fair value of undeveloped land. Within the fair value hierarchy, these inputs would be considered Level 3.

At December 31, 2017, in calculating the net present values of cash flows from oil and natural gas reserves, the Company used an after-tax discount rate of approximately 11%, an average CDN\$ to US\$ exchange rate of CDN\$0.85 to US\$1.00, and the following forward commodity price estimates:

	2017	
	WTI Oil (US\$/Bbl)	AECO Gas (CDN\$/Mcf)
2018	55.00	2.85
2019	65.00	3.11
2020	70.00	3.65
2021	73.00	3.80
2022	74.46	3.95
2023	75.95	4.05
2024	77.47	4.15
2025	79.02	4.25
2026	80.60	4.36
2027	82.21	4.46
2028	83.85	4.57
Remainder	+2%/yr	+2%/yr

At December 31, 2017, a one percent change in the after-tax discount rate is estimated to change the net impairment by approximately \$6.0 million; a \$1.00/Bbl change in the price of oil is estimated to change the net impairment by approximately \$4.0 million; and a \$0.10/Mcf change in the price of natural gas is estimated to change the net impairment by approximately \$3.0 million.

At December 31, 2016, no indicators of impairment or reversals of impairment were identified.

**Notes to the Financial Statements**  
For the year ended December 31, 2017

**6. DECOMMISSIONING LIABILITIES**

(\$000s)	December 31, 2017	December 31, 2016
Balance, beginning of year	419,636	412,207
Accretion	7,530	8,420
Liabilities acquired	17	23
Liabilities incurred	6,818	5,382
Disposal of liabilities	(52,822)	(1,624)
Settlement of liabilities	(8,713)	(2,268)
Change in estimates	(4,765)	(2,504)
Balance, end of year	367,701	419,636

The Company's decommissioning liabilities result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems, pipelines and processing facilities. At December 31, 2017, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning liabilities was approximately \$465.0 million, which will be incurred over the next 44 years (December 31, 2016 - \$535.0 million). At December 31, 2017, the Company used a risk free rate of 2.0% and an inflation rate of 2.0% to calculate the present value of the decommissioning liabilities (December 31, 2016 - risk free rate of 2.0% and inflation rate of 2.0%). The change in estimates during 2017 was primarily attributable to revised cost estimates at certain locations.

**7. AVAILABLE BANK CREDIT FACILITIES**

On December 23, 2016, Long Run entered into a fifth amending agreement to the amended and restated credit agreement with its bank syndicate. The committed credit facilities were reduced to \$460.0 million from \$520.0 million and the termination date was moved to January 31, 2017 from December 29, 2016. The committed bank credit facilities of \$460.0 million were comprised of a \$185.0 million revolving syndicated facility, a \$25.0 million operating facility and a \$250.0 million non-revolving syndicated facility. Availability under the syndicated revolving facility was limited to \$155.0 million.

For the period December 30, 2016, to January 31, 2017, the credit facilities bore interest at the prime rate or Libor rate, plus a margin, and in respect of banker's acceptances, required the payment of a stamping fee equal to a margin. The margins ranged from 1.50% per annum to 2.50% per annum.

On January 31, 2017, Long Run's outstanding credit facilities were repaid and cancelled. New bank debt was raised with Long Run as the borrower and Calgary Sinoenergy Investment Corp ("Calgary Sinoenergy") as guarantor. The new credit facilities total \$431.0 million and were fully drawn on January 31, 2017, comprised of a \$35.0 million revolving term facility and a \$396.0 million non-revolving term facility. Within the revolving term facility, \$15.0 million has been allocated to advances as letters of credit.

At December 31, 2017, \$416.0 million was drawn against the bank credit facilities (December 31, 2016 - \$386.0 million) and the Company had letters of credit outstanding totaling \$11.0 million (December 31, 2016 - \$11.1 million). The financial institution which issued these letters of credit on Long Run's behalf is the beneficiary of the \$15.0 million letter of credit outstanding under the revolving term facility. Bank fees of \$2.6 million were offset against bank debt on the statement of financial position at December 31, 2017.

The new credit facilities bear interest at the Canadian Dollar Offered Rate ("CDOR") rate plus a margin of 2.45% per annum. The facilities are also subject to a structuring and management fee of 0.15% per



## Notes to the Financial Statements

### For the year ended December 31, 2017

annum and a stand-by fee of 0.6125% per annum. For the year ended December 31, 2017, the effective interest rate was 3.8% (December 31, 2016 – 4.2%).

The revolving term facility expires on December 10, 2023 unless extended. Commencing on January 31, 2019, the non-revolving term facility will be repaid in quarterly instalments at the end of each fiscal quarter based on a seven year straight-line amortization schedule. The balance then remaining will be paid on December 10, 2023 unless extended. In addition, Long Run is required to determine the adjusted excess cash flow for each fiscal year, commencing with fiscal 2017. Adjusted excess cash flow is defined in the credit agreement as EBITDA less interest expense, permanent debt repayments, capital expenditures not financed with debt and capital lease payments. EBITDA is defined in the new credit facilities as earnings before interest, income taxes, depletion and depreciation, impairments, and other non-cash items. Long Run will be required to make a repayment under the non-revolving term facility equal to 5% of the adjusted excess cash flow not later than March 31 of the following year. Adjusted excess cash flow payments will be applied in inverse order of maturity. For the year ended December 31, 2017, no repayment of adjusted excess cash flow is required.

Proceeds from dispositions in excess of \$20.0 million in aggregate over the term of the non-revolving term facility must be used to permanently repay the non-revolving term facility. In addition, proceeds received on the issuance of debt, other than permitted debt, and equity must also be used to permanently repay the non-revolving term facility.

Under the terms of the new credit agreement, unless otherwise permitted by the lender, Long Run is subject to covenants including those relating to senior debt and total debt to trailing 12 month EBITDA, interest coverage, and hedging.

The bank covenants require a senior debt to EBITDA ratio of less than 4.5 to 1.0 for the period commencing March 31, 2017 until December 31, 2017 (2018 - 4.0 to 1.0; 2019 - 3.5 to 1.0; thereafter - 3.0 to 1.0). The bank covenants require a total debt to EBITDA ratio of less than 5.5 to 1.0 for the period commencing March 31, 2017 until December 31, 2017 (2018 - 5.0 to 1.0; 2019 - 4.5 to 1.0; thereafter - 4.0 to 1.0). The convertible debentures and the Calgary Sinoenergy loan facility are not considered debt for the debt to EBITDA ratio calculations under the credit agreement.

The interest coverage ratio, defined as EBITDA to interest expense, must be at least 2.75:1 for the period commencing March 31, 2017 until December 31, 2017 (2018 - 3.0 to 1.0; thereafter – 3.5 to 1.0).

According to the credit agreement, an event of default is constituted if the borrower breaches any of the financial covenants and such breach continues for a period exceeding one fiscal quarter from the date of such breach. If any event of default occurs and is continuing, the bank loan outstanding will, at the option of the lender, become immediately due and payable. The lender may, in its sole discretion, proceed with any action permitted by law for the recovery of all amounts owing under the credit facilities. For the year ended December 31, 2017, Long Run was in compliance with the bank covenants (see Note 15).

The aggregate amount hedged under all financial commodity swap contracts, at the time each contract is entered into, shall not exceed the lesser of: (i) 75% of the first year projected average daily production net of royalties and 50% of the second year projected daily production net of royalties or (ii) \$30.0 million.

Security for the credit facilities includes a demand debenture for \$1.2 billion secured by a fixed and specific mortgage and charge on all property and a floating charge over all of the assets not subject to fixed and specific charges, and a pledge by Calgary Sinoenergy in favour of the lender of all of the issued and outstanding shares of Long Run.

**Notes to the Financial Statements**  
For the year ended December 31, 2017

**8. DUE TO CALGARY SINOENERGY INVESTMENT CORP.**

(\$000s)	December 31, 2017	December 31, 2016
Balance, beginning of year	228,311	-
Loan facility advances	112,220	220,006
Loan facility interest	7,376	1,444
Convertible debenture interest ( <i>note 10</i> )	4,800	6,861
Allocation of certain salary and employee costs	(2,033)	-
Balance, end of year	350,674	228,311

At December 31, 2017, the Company had a balance of \$341.0 million owing to Calgary Sinoenergy pursuant to a loan facility agreement dated June 29, 2016 and amended on August 29, 2016, and December 6, 2017. Total borrowings under the facility are limited to \$450.0 million.

Borrowings under the loan facility bear interest at the one month banker's acceptance rate plus 1.5% per annum. For the year ended December 31, 2017, the effective interest rate was 2.6% (December 31, 2016 – 2.3%).

The loan facility terminates on July 9, 2024, unless extended. Payment of any amounts owing under the loan facility, including interest, is not permitted until the Company's bank credit facilities have been repaid.

Security for the loan facility includes a demand debenture for \$800.0 million, which provides for a floating charge and security interest over all of the assets and property of the Company. Security under the loan facility is subordinate to that of the bank credit facilities.

On June 29, 2016, Calgary Sinoenergy acquired all of the Company's outstanding convertible debentures (See Note 9). Accrued and unpaid interest totaling \$4.4 million was paid to the former debentureholders by Calgary Sinoenergy on behalf of Long Run. For the year ended December 31, 2017, accrued and unpaid interest on the Company's convertible debentures was \$4.8 million (June 29, 2016 to December 31, 2016 - \$2.5 million).

Subsequent to December 31, 2017, the Company borrowed an additional \$17.2 million from Calgary Sinoenergy.

**9. CONVERTIBLE DEBENTURES**

On January 28, 2014, the Company issued \$75.0 million face value of convertible unsecured subordinated debentures at par. The debentures bear an annual interest rate of 6.40%, payable semi-annually in arrears. Prior to maturity on January 31, 2019, the debentures are convertible into Common Shares at a conversion price of \$7.40 per Common Share, subject to adjustment in certain events.

The fair value of the debt portion of the debentures was calculated using a similar instrument without a conversion feature. The difference between the face value of the debentures and the fair value of the liability was classified as equity. The carrying value of the liability is being accreted to the face value of \$75.0 million over the term of the debentures, using the effective interest method.

Below is a summary of the debt and equity balances:



**Notes to the Financial Statements**  
For the year ended December 31, 2017

(\$000s)	Convertible Debentures Liability	Equity Component of Convertible Debentures	Total
Balance, January 1, 2016	69,592	3,483	73,075
Accretion expense	1,626	-	1,626
Balance, December 31, 2016	71,218	3,483	74,701
Accretion expense	1,732	-	1,732
Balance, December 31, 2017	<b>72,950</b>	<b>3,483</b>	<b>76,433</b>

On June 29, 2016, Calgary Sinoenergy acquired the outstanding convertible debentures for cash consideration of \$750 per \$1,000 principal amount of debentures plus accrued and unpaid interest of \$4.4 million (see Note 8). As at December 31, 2017, payment of any amounts owing under the convertible debentures, including interest, is not permitted until the Company's bank credit facilities have been repaid.

## 10. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of Common Shares, Common Non-Voting Shares, Non-Voting Convertible Shares and First Preferred Shares without nominal or par value.

### *Common Shares*

(\$000s)	December 31, 2017		December 31, 2016	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of year	198,139	1,013,629	193,498	1,006,799
Issued on exercise of restricted awards	-	-	4,641	-
Transfer from contributed surplus on exercise of restricted awards	-	-	-	6,830
Balance, end of year	<b>198,139</b>	<b>1,013,629</b>	198,139	1,013,629

On June 29, 2016, Calgary Sinoenergy acquired all of the outstanding Common Shares for cash consideration of \$0.52 per share.

### *Contributed Surplus*

(\$000s)	December 31, 2017	December 31, 2016
Balance, beginning of year	27,206	31,204
Share-based compensation	-	2,832
Transfer to share capital on exercise of restricted awards	-	(6,830)
Balance, end of year	<b>27,206</b>	27,206

### *Share Option Plan*

The Company had a share option plan which provided for the grant of options to purchase Common Shares. The exercise price of each option could not be less than the closing price of the Common Shares on the trading day immediately preceding the date of grant. Compensation expense was

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

recognized as the options vested. Unless otherwise determined by the Board of Directors, vesting occurred one third on each of the next three anniversaries of the date of the grant. The options expired five years from the date of grant. The maximum number of Common Shares issuable on exercise of options outstanding was limited to 10% of the issued and outstanding Common Shares.

	December 31, 2017		December 31, 2016	
	Number of Options (000s)	Weighted Average Exercise Price (\$)	Number of Options (000s)	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	-	-	7,558	4.50
Forfeited	-	-	(7,558)	4.50
Outstanding, end of year	-	-	-	-

On June 29, 2016, all outstanding options were terminated for \$nil consideration.

For the year ended December 31, 2017, there was no share based compensation (December 31, 2016 - \$0.1 million).

***Restricted and Performance Award Incentive Plan***

Number of Restricted Awards (000s)	December 31, 2017	December 31, 2016
Outstanding, beginning of year	-	4,614
Granted	-	69
Forfeited	-	(42)
Exercised	-	(4,641)
Outstanding, end of year	-	-

Under the Restricted and Performance Award Incentive Plan, grantees received either cash or Common Shares, at the discretion of the Company, in relation to the value of a specified number of underlying Common Shares. The awards vested equally over three years, on the first, second and third anniversaries of the grant date. Each restricted award entitled the holder to a Common Share or the value of a Common Share (subject to certain adjustments, including for dividends paid on the Common Shares) on the vesting date.

The grant date fair values of share-based compensation awards were determined using a Black-Scholes pricing model and recognized over the vesting periods of the awards, with an offsetting credit to contributed surplus. The estimated forfeiture rate was adjusted to reflect the actual number of awards that vested. The related share-based compensation expense previously included in contributed surplus was credited to share capital on the exercise of the stock awards.

On June 29, 2016, the payment dates applicable to all of the restricted awards outstanding were accelerated. As a result, 4.6 million Common Shares were issued and share-based compensation of \$1.7 million was accelerated, of which \$1.2 million was expensed.

For the year ended December 31, 2017, there was no share-based compensation (December 31, 2016 - \$2.7 million, of which \$1.9 million was expensed).



**Notes to the Financial Statements**  
For the year ended December 31, 2017

**Earnings (Loss) Per Share**

	<u>Year ended December 31</u>	
	2017	2016
Net earnings (loss) (\$000s)	<u>33,534</u>	<u>(152,883)</u>
Weighted average number of shares (000s)		
Shares outstanding, beginning of year	198,139	193,498
Restricted awards exercised	-	2,359
Weighted average shares outstanding – basic and diluted	<u>198,139</u>	<u>195,857</u>
Earnings (loss) per share, basic and diluted	<u>0.17</u>	<u>(0.78)</u>

For the year ended December 31, 2017, the dilution impact the convertible debentures was anti-dilutive. As the Company incurred a net loss for the year ended December 31, 2016, the weighted average dilution impact of the options, restricted awards and the effect of the conversion of convertible debentures were excluded from the diluted loss per share calculation. At December 31, 2017, there were no options or restricted awards outstanding (December 31, 2016 – nil).

**11. CAPITAL RISK MANAGEMENT**

The Company's primary capital management objective is to strengthen its financial position and improve financial flexibility in order to support capital programs, production maintenance and other operational strategies. To manage the capital structure, the Company may adjust capital spending, dispose of properties, issue new equity, issue new debt or repay existing debt.

The Company is also subject to externally imposed capital requirements on its credit facilities (see Note 7) and was in compliance at December 31, 2017. The ability to continue to meet its covenants in the foreseeable future is dependent on the continued generation of profits from operations which is based on a number of key assumptions. These include, among others, the ability to fund the Company's approved capital programs and continued generation of sufficient oil and gas production based on management's best estimate of forecasted commodity prices.

In managing its capital structure, the Company monitors EBITDA as an indicator of overall financial strength, with EBITDA defined as earnings before interest, income taxes, depletion and depreciation, impairments, and other non-cash items. Long Run's objective is to target EBITDA at an amount that supports current spending forecasts.

**12. GENERAL AND ADMINISTRATION**

(\$000s)	<u>Year ended December 31</u>	
	2017	2016
Salary and employee	12,655	20,765
Other	12,001	26,087
Gross expenses	<u>24,656</u>	46,852
Capitalized costs	(6,728)	(9,200)
Operating recoveries	(4,644)	(4,967)
General and administration	<u>13,284</u>	<u>32,685</u>

## Notes to the Financial Statements

### For the year ended December 31, 2017

During the year ended December 31, 2016, general and administration expense included \$12.2 million of transaction costs primarily related to the plan of arrangement between Long Run, Calgary Sinoenergy and Qingdao Sinoenergy Capital Corporation which was completed on June 29, 2016.

### 13. INCOME TAXES

The provision for income tax differs from the amount that would have been expected if the reported earnings (loss) had been subject only to the statutory Canadian income tax rates:

(\$000s)	Year ended December 31	
	2017	2016
Earnings (loss) before income tax	33,534	(152,883)
Corporate tax rate	27.0%	27.0%
Expected tax expense (recovery)	9,054	(41,278)
Increase (decrease) in taxes resulting from:		
Unrecognized deferred income tax asset (liability)	(15,254)	28,055
Investment tax credits	-	13,255
Other	6,200	(32)
Deferred income tax expense (recovery)	-	-

The components of the deferred income tax asset were as follows:

(\$000s)	December 31, 2017	December 31, 2016
Property and equipment	158,351	173,397
Decommissioning liabilities	30,733	45,583
Non-capital losses	121,912	106,699
Alberta royalty tax deduction	1,657	1,657
Convertible debentures (note 9)	(553)	(1,021)
Share issue costs	1,074	1,942
Financial derivatives	(171)	-
Unrecognized deferred income tax asset	(313,003)	(328,257)
Deferred income tax asset	-	-

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilized. The amount and timing of reversals of temporary differences will be dependent upon a number of factors, including the Company's future operating results.

At December 31, 2017 the Company had estimated non-capital loss carry forward balances of approximately \$451.0 million (December 31, 2016 – \$396.0 million). The non-capital losses expire as follows: 2024 – \$8.2 million, 2025 – \$4.7 million, 2026 – \$12.7 million, and thereafter \$425.4 million.

During 2016, the Company received a notice of re-assessment ("NOR") from the Canada Revenue Agency ("CRA") regarding the income tax treatment of certain Scientific Research and Experimental Development ("SR&ED") deductions (\$76.0 million) and related investment tax credits ("ITC's") (\$18.0 million). Effective June 29, 2016, the unutilized ITC's subject to the NOR are no longer available to the Company due to the change of control of Long Run on June 29, 2016.



## Notes to the Financial Statements

### For the year ended December 31, 2017

The Company disagrees with the CRA's position and filed a notice of objection to the NOR. The Company has sufficient alternative tax pools available to offset the SR&ED deductions subject to the NOR.

The components of the deferred income tax asset above include approximately \$21.0 million relating to the SR&ED deductions subject to the NOR. Of the \$21.0 million, approximately \$19.0 million relates to property and equipment and approximately \$2.0 million relates to non-capital losses.

#### 14. RELATED PARTY TRANSACTIONS

On June 29, 2016, Long Run became a wholly owned subsidiary of Calgary Sinoenergy and Calgary Sinoenergy acquired all of the Long Run outstanding convertible debentures (see Note 9).

Long Run committed to selling 4,000 GJ/d to Calgary Sinoenergy for the period October 1, 2016 to March 31, 2018 at the floating market gas price during each month. For the year ended December 31, 2017, petroleum and natural gas revenue included amounts totaling \$3.4 million marketed to Calgary Sinoenergy by the Company (December 31, 2016 - \$1.0 million). As at December 31, 2017, an accounts receivable of \$3.9 million was due from Calgary Sinoenergy (December 31, 2016 - \$0.7 million).

At December 31, 2017, the Company had a balance owing to Calgary Sinoenergy of \$350.7 million (December 31, 2016 - \$228.3 million) (see Note 8). During the year, Calgary Sinoenergy agreed to reimburse Long Run for certain salary and employee costs totaling approximately \$2.0 million which reduced the amount owing under the loan facility (see Note 8).

During the year ended December 31, 2017, Long Run entered into sublease agreements for office space with two related parties at the rates entered into by Long Run and the initial lessor. One sublease agreement is for a 22 month term and the second sublease agreement is for a 10 year term with a one year notice of termination which may not be delivered prior to one year from the commencement date of the sublease. At December 31, 2017, Long Run's total commitment for office space relating to these sublease agreements is approximately \$18.9 million, of which approximately \$4.3 million is not subject to a termination clause. During the year ended 2017, sublease recoveries from related parties amounted to \$0.2 million.

A former director of the Company and the former corporate secretary are partners of the Company's former legal counsel, Burnet, Duckworth & Palmer LLP ("BDP"). The former director and corporate secretary resigned from Long Run on June 29, 2016. During the six months ended June 30, 2016, general and administration expense included amounts totaling \$0.8 million charged to the Company by BDP.

#### 15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

##### *Fair Value of Financial Assets and Liabilities*

Fair value is defined as the price that would be received upon selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, accounts payable, bank loan, due to Calgary Sinoenergy, convertible debentures and financial derivatives. The carrying values of cash, accounts receivable and accounts payable approximate their fair values due to their short-term nature. The carrying values of the bank loan and

## Notes to the Financial Statements

### For the year ended December 31, 2017

the Calgary Sinoenergy loan facility approximate fair values due to the interest rates on the facilities being at prevailing market rates and their short-term nature.

#### **Financial Derivative Contracts**

The Company may enter into financial derivative contracts for the purpose of protecting cash flows generated from operations from the volatility of commodity prices and changes in interest and electricity rates.

The Company had the following financial commodity contracts in place as at December 31, 2017:

	Volume	Pricing
Natural Gas		
<i>Fixed Price</i>		
January 1, 2018 – March 31, 2018	5,000 GJ/d	\$2.59/GJ
January 1, 2018 – March 31, 2018	5,000 GJ/d	\$2.73/GJ

#### **Financial Derivative Contracts Financial Statement Recognition**

The Company recognizes the fair value of its financial derivative contracts on the statement of financial position each reporting period, with the change in fair value recognized as an unrealized gain or loss on the statement of earnings.

The Company determines fair value using a hierarchy that prioritizes inputs depending upon the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - inputs other than quoted prices used in Level 1 that are observable, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the market place from sources such as the New York Mercantile Exchange and the Natural Gas Exchange.
- Level 3 - inputs that are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value.

The fair values of the Company's financial derivatives were determined using an income valuation approach based upon Level 3 inputs. The valuations, which were provided by the counterparties with whom the transactions were completed, were reviewed by the Company for reasonableness, giving consideration to factors such as the commodity forward price strips and historical volatilities. There were no transfers between the hierarchy levels during the year.



**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

(\$000s)	December 31, 2017	December 31, 2016
Fair value of financial derivatives		
Current Assets	632	-
Current Liabilities	-	-
<b>Net Asset</b>	<b>632</b>	<b>-</b>

(\$000s)	Crude Oil	Natural Gas	Other	Total
Year ended December 31, 2017				
Realized gain on financial derivatives	-	(2,160)	-	(2,160)
New contracts	-	(467)	-	(467)
Change in value	-	3,259	-	3,259
Unrealized gain on financial derivatives	-	632	-	632
December 31, 2016 - Net Asset (Liability)	-	-	-	-
<b>December 31, 2017 - Net Asset (Liability)</b>	<b>-</b>	<b>632</b>	<b>-</b>	<b>632</b>
Year ended December 31, 2016				
Realized (gain) loss on financial derivatives	(7,616)	(16,885)	823	(23,678)
Change in value	246	7,002	(417)	6,831
Unrealized gain (loss) on financial derivatives	(7,370)	(9,883)	406	(16,847)
December 31, 2015 - Net Asset (Liability)	7,370	9,883	(406)	16,847
December 31, 2016 - Net Asset (Liability)	-	-	-	-

## Notes to the Financial Statements

### For the year ended December 31, 2017

#### Physical Fixed Price Commodity Contracts

The Company also uses physical fixed price commodity contracts to reduce its exposure to fluctuations in commodity prices.

The Company had the following physical fixed price commodity contracts in place as at December 31, 2017:

	Volume	Pricing
Crude Oil		
January 1, 2018 – June 30, 2018	650 Bbl/d	USD \$50.60/Bbl <sup>1</sup>
January 1, 2018 – June 30, 2018	100 Bbl/d	USD \$51.60/Bbl <sup>1</sup>
January 1, 2018 – June 30, 2018	1,043 Bbl/d	\$61.08/bbl <sup>2</sup>
Natural Gas		
January 1, 2018 – March 31, 2018	10,000 GJ/d	\$2.98/GJ <sup>3</sup>
January 1, 2018 – March 31, 2018	5,000 GJ/d	\$3.05/GJ <sup>4</sup>
January 1, 2018 – March 31, 2018	5,000 GJ/d	\$2.91/GJ <sup>5</sup>
January 1, 2018 – March 31, 2018	5,000 GJ/d	\$2.73/GJ
January 1, 2018 – March 31, 2018	5,000 GJ/d	\$2.71/GJ

<sup>1</sup> Plus the weighted average of the NGX TMX SPR 1a Index, and the Net Energy SPR NE Monthly Index. The price will be adjusted for transportation and quality as per industry standards.

<sup>2</sup> Plus the prior month ENBRIDGE PIPELINE SW WADF and the Long Run SW Premium at Edmonton. The price will be adjusted for transportation and quality as per industry standards.

<sup>3</sup> Subsequent to year end, the Company amended the contract period from February 1, 2018 to March 31, 2018 at \$2.98/GJ for 10,000 GJ/d to February 1, 2018 to September 30, 2018 at \$1.565/GJ for 10,000 GJ/d.

<sup>4</sup> Subsequent to year end, the Company amended the contract period from February 1, 2018 to March 31, 2018 at \$3.05/GJ at 5,000 GJ/d to February 1, 2018 to September 30, 2018 at \$1.525/GJ for 5,000 GJ/d.

<sup>5</sup> Subsequent to year end, the Company amended the contract period from March 1, 2018 to March 31, 2018 at \$2.91/GJ at 5,000 GJ/d to March 1, 2018 to June 30, 2018 at \$1.425/GJ for 5,000 GJ/d.

#### Market risk

Market risk includes uncertainty arising from possible movements in commodity prices and interest rates and the impact of such movements on the future performance of the business. Commodity price and interest rate movements could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows.

To partially mitigate exposure to commodity price risk, the Company enters into various financial derivative instruments and physical fixed price commodity contracts. The instruments and contracts currently outstanding are described above. To mitigate exposure to interest rate risk, the Company has debt at both floating and fixed interest rates. The Company may also manage interest rate risk through the use of interest rate swaps. The Company's bank debt facilities have a floating interest rate that fluctuates based on prevailing market conditions. The Calgary Sinoenergy loan facility bears interest at the one month banker's acceptance rate plus 1.5% per annum. The Company's convertible debentures bear interest at a fixed annual interest rate of 6.4%.



## Notes to the Financial Statements

### For the year ended December 31, 2017

Based on the bank debt and the Calgary Sinoenergy loan facility outstanding as at December 31, 2017, a one percent change in the interest rate would impact annual interest expense by approximately \$7.6 million.

#### *Credit risk*

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due, causing a financial loss. The Company's accounts receivable are with customers and partners in the oil and natural gas industry and are subject to normal credit risks. A portion of the Company's production is currently sold through partners under normal industry sale and payment terms.

During the year ended December 31, 2017, two third party purchasers each marketed more than 10% of the Company's petroleum and natural gas revenue.

Accounts Receivable (\$000s)	December 31, 2017	December 31, 2016
Less than 90 days	30,982	27,766
Greater than 90 days	13,909	3,060
Total	44,891	30,826

Accounts receivable greater than 90 days at December 31, 2017 includes amounts owing from Calgary Sinoenergy (\$3.0 million) (See Note 14) and an accrual for the recovery of certain leasehold improvements (\$6.9 million).

When determining whether amounts that are past due are collectible, the Company assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Long Run generally considers amounts greater than 90 days to be past due.

The Company's allowance for doubtful accounts at December 31, 2017 was \$1.0 million (December 31, 2016 – \$1.0 million). During the year ended December 31, 2017, the Company expensed \$0.1 million of accounts receivable not considered collectible (December 31, 2016 - \$0.7 million).

#### *Liquidity risk*

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The Company believes that it has access to sufficient capital through internally generated profits and related cash flows and debt and equity sources to meet current spending forecasts, which also contemplates the ability of the Company to meet its covenants (see Notes 7 and 11) in the foreseeable future.

At December 31, 2017, Long Run had cash of \$34.4 million and the credit facilities were fully drawn.

**Notes to the Financial Statements**  
For the year ended December 31, 2017

**16. SUPPLEMENTAL CASH FLOW INFORMATION**

*Net Change in Non-Cash Working Capital*

(\$000s)	Year ended December 31	
	2017	2016
Source (use) of cash:		
Accounts receivable	(14,065)	7,489
Deposits and prepaid expenses	(3,117)	3,544
Accounts payable and accrued liabilities	(51,399)	45,332
Due to Calgary Sinoenergy	10,143	8,305
	<b>(58,438)</b>	64,670
Related to:		
Operating activities	(12,405)	16,271
Investing activities	(46,033)	48,399
	<b>(58,438)</b>	64,670

**17. COMMITMENTS AND CONTINGENCIES**

*Commitments*

(\$000s)	2018	2019	2020	2021	2022	Thereafter	Total
Operating leases	7,585	9,004	8,623	8,462	7,889	38,465	80,028
Processing	6,080	6,080	6,080	6,080	6,080	20,248	50,648
Transportation	10,093	6,177	2,999	2,283	1,836	2,046	25,434
Fractionation	544	-	-	-	-	-	544
Capital	6,418	3,992	-	-	-	-	10,410
Total	30,720	25,253	17,702	16,825	15,805	60,759	167,064

At December 31, 2017 the Company is committed under operating leases for office space, contracts related to the processing of natural gas, transportation of oil, natural gas and NGLs, fractionation of natural gas liquids and capital commitments for drilling rig services.

The commitment for operating leases of \$80.0 million is before reductions attributable to sublease agreements. During the year ended December 31, 2017, Long Run entered into sublease agreements for office space with two related parties (see Note 14) and office lease commitments totaling approximately \$5.0 million were subleased to a third party.

Subsequent to December 31, 2017, the Company entered into additional transportation commitments totaling approximately \$6.0 million. In addition, subsequent to year-end, the Company entered into contracts for the purchase and sale of crude oil, under which the Company committed to purchase approximately 845,000 barrels of crude oil.

**Notes to the Financial Statements**  
For the year ended December 31, 2017

*Litigation*

The Company is involved in various claims and legal actions arising in the normal course of business. Long Run does not expect that the outcome of these proceedings will have a material adverse effect on the Company.

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “F” – Intercompany Loan Agreement between Long Run and Calgary Sinoenergy**

## LOAN FACILITY AGREEMENT

**THIS AGREEMENT** dated for reference the 29<sup>th</sup> day of June, 2016.

BETWEEN:

**LONG RUN EXPLORATION LTD.**

(the “**Borrower**”)

OF THE FIRST PART

AND:

**CALGARY SINOENERGY INVESTMENT CORP.**

(the “**Lender**”)

OF THE SECOND PART

**WHEREAS:**

- A. The Borrower is a subsidiary of the Lender; and
- B. The Lender has agreed to advance to the Borrower an interest bearing secured loan in an aggregate principal amount of up to CAN\$120,000,000 on the terms and subject to the conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants and agreements hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Borrower and the Lender hereby agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

The terms hereinafter defined shall, for the purposes of this Agreement, have the meanings set out below unless the context otherwise requires:

- (a) “**Availability Period**” means the period from and including the date of this Agreement up to but excluding the End Date;
- (b) “**Business Day**” means any day other than Saturday and Sunday on which banks are ordinarily open for business in Calgary, Alberta, Canada;
- (c) “**Facility**” has the meaning given in section 2.1;
- (d) “**End Date**” means February 1, 2017;

- (e) **“GAAP”** means generally accepted accounting principles in Canada applied on a consistent basis;
- (f) **“Insolvent”** in respect of any person, means:
- (i) such person is unable to pay its debts as such debts become due;
  - (ii) a decree or order of a court of competent jurisdiction is entered adjudging such person a bankrupt or insolvent under the *Companies’ Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or ordering the winding-up or liquidation of its affairs;
  - (iii) any case, proceeding or other action shall be instituted in any court of competent jurisdiction against such person, seeking in respect of it an adjudication in bankruptcy, reorganization, dissolution, winding-up, liquidation, a composition, proposal or arrangement with creditors, a readjustment of debts, the appointment of a trustee in bankruptcy, receiver, receiver and manager, interim receiver, custodian, sequestrator or other person with similar powers with respect to such person or of all or any substantial part of its assets, or any other like relief in respect of such person under any bankruptcy or insolvency law and:
    - A. such case, proceeding or other action results in an entry of an order for such relief or any such adjudication or appointment, or
    - B. such case, proceeding or other action shall continue undismissed, or unstayed and in effect, for any period of 10 consecutive business days; or
  - (iv) such person makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies’ Creditors Arrangement Act* (Canada), the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee in bankruptcy, receiver, receiver and manager, interim receiver, custodian, sequestrator or other person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition, administration or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors’ rights or consents to, or acquiesces in, the filing of such assignment, proposal, relief, petition, proposal, appointment or proceeding;
- (g) **“First Advance Date”** means the date on which the articles of arrangement in respect of the Step 1 Transaction are filed with the registrar pursuant to the Arrangement Agreement.

- (h) **“Loan Amount”** means the aggregate principal amount of the Facility for the time being owing but unpaid by the Borrower hereunder together with all accrued but unpaid interest thereon and other costs, charges and expenses payable by the Borrower hereunder;
- (i) **“Margin”** means 150 bps;
- (j) **“Obligations”** means all obligations of the Borrower to the Lender under or in connection with this Agreement, including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Lender, in any currency or remaining unpaid by the Borrower to the Lender, under or in connection with this Agreement, and all interest, fees, legal and other costs, charges, expenses and other obligations;
- (k) **“Permitted Encumbrances”** means as at any particular time any of the following encumbrances on the property or any part of the property of the Borrower:
- (i) liens for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being diligently contested in good faith and appropriate reserves have been made in accordance with GAAP;
  - (ii) deemed liens and trusts arising by operation of law in connection with workers’ compensation, employment insurance and other social security legislation, in each case, which secure obligations not at the time due or delinquent or, if due or delinquent, the validity of which is being diligently contested in good faith and appropriate reserves have been made in accordance with GAAP;
  - (iii) liens under or pursuant to any judgment rendered, or claim filed, against the Borrower, which the Borrower shall be diligently contesting in good faith and appropriate reserves shall have been made in accordance with GAAP;
  - (iv) undetermined or inchoate liens and charges incidental to current operations which have not at such time been filed pursuant to law against the Borrower or which relate to obligations not due or delinquent or, if due or delinquent, the validity of which is being diligently contested in good faith and appropriate reserves have been made in accordance with GAAP;
  - (v) the Senior Security;
  - (vi) Security Interests in favour of the Lender;
  - (vii) the Subordinated Security; and
  - (viii) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security Interest referred to in the preceding subparagraphs (v) and (vii) of this definition,



provided that nothing in this definition shall in and of itself cause the obligations hereunder to be subordinated in priority of payment to any such Permitted Encumbrance or cause any Security Interests in favour of the Lender to rank subordinate to any such other Permitted Encumbrance;

- (l) **"Prime Rate"** means the average one month bankers' acceptance rate shown for any date of determination (or the immediately preceding day such rate is available if such rate is not available on such date) on the Bank of Canada website at [www.bank-banque-canada.ca/en/rates/digest.html](http://www.bank-banque-canada.ca/en/rates/digest.html).
- (m) **"Second Advance Date"** means the date which is on or before the date that is 60 days after the First Advance Date;
- (n) **"Security Interests"** means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions, security created under the *Bank Act* (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation;
- (o) **"Senior Credit Agreement"** means the credit agreement dated as of May 29, 2015 among Long Run Exploration Ltd., as borrower, The Bank of Nova Scotia, National Bank of Canada, HSBC Bank Canada, The Toronto-Dominion Bank, Wells Fargo Bank, N.A., Canadian Branch, Alberta Treasury Branches, Canadian Imperial Bank of Commerce, Union Bank, Canada Branch, Bank of Montreal, United Overseas Bank Limited, Business Development Bank of Canada and those other financial institutions which hereafter become Lenders thereunder, The Bank of Nova Scotia, as administrative agent for the Lenders, with The Bank of Nova Scotia and National Bank Financial, as co-lead arrangers, The Bank of Nova Scotia, as sole bookrunner and National Bank Financial, as syndication agent, as amended by a first amending agreement dated November 30, 2015, an interim forbearance and second amending agreement dated December 24, 2015, a consent, interim forbearance extension and amending agreement dated January 22, 2016 and a waiver, consent, forbearance and third amending agreement dated January 29, 2016, and as further amended, supplemented and restated from time to time;
- (p) **"Senior Debt"** means all indebtedness, liabilities and obligations, of any nature or kind, present or future, direct or indirect, matured or unmatured, absolute or contingent, whether revolving or term, and whether secured or unsecured, whether as primary debtor, surety or guarantor, at any time owing by the Borrower or any other loan party to any Senior Secured Creditor (as such term is defined in the Senior Credit Agreement) pursuant to the Senior Credit Agreement or any other Loan Document (as such term is defined under the Senior Credit Agreement) (including all Swap Indebtedness and Cash Management Obligations, and all interest, fees and other costs and expenses arising under or in respect of the Senior Credit Agreement) (as each of those terms is defined in the Senior Credit Agreement). For greater certainty, and without limiting the foregoing, any subsequent increase in the principal amount of the indebtedness under the Senior Credit Agreement that is in excess of the existing aggregate commitments of the Senior Secured Creditors is and shall be "Senior Debt";



- (q) **“Senior Security”** means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now held or hereafter granted to The Bank of Nova Scotia, as administrative agent, that secures the payment, performance or discharge of the Senior Debt;
- (r) **“Step 1 Transaction”** means the transaction between the Borrower and the Lender provided for in the Arrangement Agreement and the Plan of Arrangement provided for therein;
- (s) **“Subordinated Security”** has the meaning given in section 5.1;
- (t) **“Subordination Agreement”** means the subordination agreement dated as of the date hereof amongst the Borrower, The Bank of Nova Scotia, as administrative agent under the Senior Credit Agreement and the Lender in which the Lender agreed to, amongst other things, subordinate its Security Interests in the collateral of the Borrower to the Secured Creditors (as such term is defined under the Senior Credit Agreement); and
- (u) **“Third Advance Date”** means the date which is on or before the date that is 120 days after the First Advance Date.

## **ARTICLE 2 THE LOAN**

### **2.1 Loan**

Relying on each of the representations and warranties contained in section 6.1 and subject to the other provisions of this Agreement, the Lender agrees to make available to the Borrower a loan facility on a reducing term basis in an amount of up to CAN\$120,000,000 (the **“Facility”**).

### **2.2 Advances**

- (a) The Facility shall be available to Borrower in three (3) separate advances as follows:
  - (i) On the First Advance Date the amount of \$20,000,000 (the **“First Advance”**);
  - (ii) On the Second Advance Date the amount of \$75,000,000 (the **“Second Advance”**); and
  - (iii) On the Third Advance Date the amount of \$25,000,000 (the **“Third Advance”**), and together with the First Advance and the Second Advance, the **“Advances”** and each an **“Advance”**).
- (b) Upon the request of the Borrower for an Advance under this Agreement pursuant to a Drawdown Request (as defined herein), the Lender will advance, subject to its review of the Drawdown Request, the applicable Advance of the Facility to the Borrower during the Availability Period, provided that the Loan Amount shall at no time exceed the amount of the Facility.

- (c) If the Borrower wishes to request an Advance, it shall have first executed and delivered to the Lender, not less than five Business Days prior to the proposed date of such Advance, a written request in the form attached as Schedule A hereto (a "**Drawdown Request**") which request shall specify, amongst other things, the amount of the Facility that the Borrower wishes the Lender to advance to the Borrower and the proposed date of such advance and which Drawdown Request will be accompanied by a proposed use of proceeds of the Borrower, which use of proceeds must be in compliance with Section 2.3 hereof.
- (d) If satisfied with the Drawdown Request, the Lender will make the applicable Advance in immediately available funds to the Borrower, less any applicable fees and disbursements, to an account the Borrower holds pursuant to the Senior Credit Agreement.
- (e) The Facility shall be cancelled on the earlier of the End Date and an Insolvency Event (as hereinafter defined) and advances under the Facility shall not be available if thereafter.

### **2.3 Use of Proceeds**

The Facility shall be used by the Borrower for its capital expenditures and working capital requirements as outlined in its working capital spending program, which must be approved by the Lender, and the Lender may refuse to fund any Drawdown Requests relating to uses other than as described in this Section 2.3.

## **ARTICLE 3 PAYMENTS**

### **3.1 Interest**

The Borrower shall pay to the Lender interest on the Loan Amount from time to time outstanding, calculated as and from the date of the advance, after as well as before demand, default and judgment, in accordance with the following provisions:

- (a) the Loan Amount shall bear interest at a rate equal to the Prime Rate in effect at such time plus the Margin;
- (b) interest on the average daily balance of the Loan Amount is calculated monthly and payable quarterly, subject to the Subordination Agreement, in arrears based on the number of days that the Loan Amount in question is outstanding;
- (c) interest is payable both before and after demand, default and judgment. Notwithstanding any other provision hereof, in the event that any amount due hereunder (including, without limitation, any interest payment) is not paid when due (whether by demand or otherwise), the Borrower shall pay interest on such unpaid amounts (including, without limitation, interest on interest), if and to the fullest extent permitted by applicable law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is received for value at the required place of payment on the date of such payment), and such interest shall accrue daily, be calculated and compounded monthly and be payable on demand, after as well as before

demand, default and judgment, at a rate per annum that is equal to the rate of interest then payable on Loans plus 2.00% per annum;

- (d) interest will be calculated by the Lender and the determination of the Lender will, in the absence of manifest error, be binding upon the Borrower;
- (e) changes in the Prime Rate shall cause an immediate adjustment of the interest rate applicable to the Loan Amount and all overdue obligations without the necessity of any notice to the Borrower, but upon the request of the Borrower, the Lender shall inform the Borrower of the rate from time to time being applied;
- (f) whenever a rate of interest or other rate per annum hereunder is calculated on the basis of a year (the “**Deemed Year**”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest or other rate per annum shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate by the actual number of days in the calendar year of calculation and dividing it by the number of days in the Deemed Year; and
- (g) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; all interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, before and after demand, default and judgment. The rates of interest specified in this Agreement are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

## **ARTICLE 4 REPAYMENT**

### **4.1 Repayment of Facility**

- (a) All Obligations in connection with the Facility will be repaid by the Borrower on or prior to the End Date. For greater certainty and notwithstanding any other provision hereof, the Facility will terminate on the End Date unless earlier extended further by mutual agreement of the Lender and Borrower.
- (b) Nothing whatsoever in this Agreement, the Subordinated Security or any other agreements, instruments or documents evidencing or relating to the Facility shall derogate from, limit or alter the demand nature of the Facility and the entire Loan Amount and other obligations under or pursuant to the Facility shall be immediately due and payable on the End Date.

### **4.2 Prepayment and Re-Advances**

The Borrower may prepay the Loan Amount in part or in its entirety at any time, without any premium or penalty and the amount so repaid may be re-borrowed during the Availability Period in accordance with section 2.2 above.

#### 4.3 **Method of Payment**

All payments required to be made by the Borrower under this Agreement shall, unless otherwise agreed in writing by the Lender, (i) be made in Canadian dollars and (ii) be made free and clear of, and without any deduction for or on account of, any set-off or counterclaim or any wire or bank charges. Unless otherwise agreed in writing by the Lender, all payments by the Borrower to the Lender under this Agreement shall be made without any deduction or withholding for or on account of and free and clear of any taxes and, if the Borrower is required at any time by any applicable law to make any such deduction on any payment, the sum due from the Borrower in respect of such payment shall be increased by such amount as will result, notwithstanding the making of such deduction, in the Lender receiving a net sum equal to the sum that the Lender would have received had no such deduction been required to be made.

#### 4.4 **Insolvency**

- (a) Without limiting the Lender's right to demand repayment of all indebtedness and other obligations hereunder on the End Date, if the Borrower shall be or become Insolvent, the occurrence of the same shall constitute an insolvency event (an "**Insolvency Event**") under this Agreement.
- (b) Upon the occurrence of an Insolvency Event, the entire Loan Amount and other indebtedness and obligations under the Facility shall automatically forthwith become due and payable by the Borrower to the Lender without any requirement for demand of payment or other notice whatsoever.

### **ARTICLE 5 SUBORDINATED SECURITY**

#### 5.1 **General Security**

The Subordinated Security (as defined below) will secure all of the Obligations. Subordinated Security will be in form and substance acceptable to the Lender and its counsel, and shall include, but not necessarily be limited to, a fixed and floating charge debenture delivered by the Borrower to the Lender on the date of this Agreement whereby the Borrower grants to the Lender a security interest in all of the Borrower's present and after-acquired undertaking and property, both real and personal (the "**Subordinated Security**").

### **ARTICLE 6 REPRESENTATIONS AND WARRANTIES BY THE BORROWER**

#### 6.1 **Borrower's Representations and Warranties**

The Borrower represents and warrants to the Lender that:

- (a) the Borrower has full power, capacity and authority to execute and deliver this Agreement, to comply with the provisions hereof and to duly perform and observe all of its obligations hereunder;

- (b) this Agreement constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, and all appropriate corporate and other acts, conditions and things required to be done and performed and to have happened prior to the execution and delivery of this Agreement in order to make all of the obligations expressed to be incurred by the Borrower legal, valid, binding and enforceable in accordance with the terms of this Agreement have been done and performed in due and strict compliance with all applicable laws and regulations and, if the Borrower is a corporation, the corporate constating documents of the Borrower prior to the execution and delivery hereof;
- (c) all representation and warranties of the Borrower set out in this Agreement are true and correct as of the date of this Agreement;
- (d) the Borrower's undertaking and property, both real and personal, is not subject to any liens, encumbrances or Security Interests, except Permitted Encumbrances; and
- (e) the Borrower does not carry on business under or use any name or style other than its legal name set out on page one.

## **ARTICLE 7 AFFIRMATIVE COVENANTS**

### **7.1 Affirmative Covenants**

As long as any portion of the Loan Amount and interest due and owing with respect thereto remains unpaid or any obligation of any nature owed by the Borrower to the Lender remains owing, the Borrower shall, unless the Lender otherwise consents in writing:

- (a) perform all covenants, undertakings or agreements made by it in, and observe all of its obligations under, the Senior Credit Agreement, the Senior Security, the Loan Documents (as such term is defined under the Senior Credit Agreement), this Agreement and the Subordinated Security;
- (b) pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it, upon its property or any part thereof, upon its income or profits or any part thereof, except that the Borrower shall not be required to pay or cause to be paid any tax, assessment, charge or levy not yet past due, or that is being contested in good faith by appropriate proceedings;
- (c) maintain, preserve and protect all of its properties in good order and condition, subject to wear and tear in the ordinary course of business;
- (d) maintain (i) insurance with responsible companies in such amounts and against such risks as is usually carried by persons engaged in similar businesses and owning similar properties in the same general area in which the Borrower operates and (ii) insurance required by any governmental department, public body or authority, commission, board, bureau, agency or instrumentality having jurisdiction over the Borrower;

- (e) comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, non-compliance with which might adversely affect the Borrower's business or credit, except that the Borrower need not comply with a requirement then being contested by the Borrower in good faith by appropriate proceedings as long as no interest of the Lender may be materially impaired thereby;
- (f) keep adequate records and books of account reflecting all financial transactions in conformity with:
  - (i) GAAP; and
  - (ii) requirements of any governmental agency having jurisdiction over the Borrower or its business;
- (g) promptly notify the Lender of (i) any default or pending default under the Senior Credit Agreement, the Senior Security, the other Loan Documents (as such term is defined in the Senior Credit Agreement), this Agreement or the Subordinated Security or any event or circumstance which, with notification or with the lapse of time or otherwise, would constitute a default thereunder or (ii) any Insolvency Event;
- (h) advise promptly after the happening of any event which could reasonably be expected to result in a material adverse change in the property, assets, financial condition, business or operations of the Borrower and its subsidiaries taken as a whole, or in the occurrence of any default, pending default or event of default under the Senior Credit Agreement, Senior Security, this Agreement, the Subordinated Security or under any other material agreement to which the Borrower is a party or an Insolvency Event;
- (i) take all necessary actions to ensure its obligations hereunder are at all times secured and rank ahead of all other indebtedness of the Borrower, other than obligations that by mandatory operation of law rank ahead or that are Permitted Encumbrances;
- (j) utilize all Advances in accordance with the use of proceeds set forth in Section 2.3 and the applicable Drawdown Request; and
- (k) provide such additional security, information and documentation as may reasonably be required by the Lender.

## **ARTICLE 8 EVIDENCE OF INDEBTEDNESS AND DETERMINATIONS BY LENDER**

### **8.1 Evidence of Indebtedness**

The indebtedness of the Borrower resulting from the advance made by the Lender pursuant to this Agreement will be evidenced by records maintained by the Lender concerning the advance of the Facility it has made. The records maintained by the Lender will constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Borrower to the Lender under this Agreement and all details relating

thereto. The failure of the Lender to correctly record any such amount or date will not, however, adversely affect the obligation of the Borrowers to pay amounts due hereunder to the Lender in accordance with this Agreement.

## **8.2 Determination by Lender**

Any determination made by the Lender under this Agreement, including, without limitation, any determination relating to indebtedness and interest, will be binding in the absence of manifest error.

## **ARTICLE 9 MISCELLANEOUS**

### **9.1 Amendments**

No amendment, modification, supplement, termination, or waiver of any provision of this Agreement or any document connected herewith, and no consent to any departure by the Borrower therefrom, may in any event be effective unless in writing and signed by the Lender.

### **9.2 Successors and Assigns**

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors. This Agreement may not be assigned by any party hereto without the prior written consent of the other party hereto.

### **9.3 Set-Off**

In addition to, and not in derogation of, any of its other rights of set-off under applicable law, the Lender will have a right of set-off against any obligations of the Lender to the Borrower upon the occurrence and during the continuance of an Insolvency Event, or upon a demand for payment being made hereunder.

### **9.4 Indemnity**

In addition to any liability of the Borrower to the Lender or any affiliate of the Lender hereunder, the Borrower shall indemnify and hold harmless the Lender, its shareholders, affiliates, directors, officers, employees, agents, and their respective successors and assigns (each, an "**Indemnified Person**"), against any and all loss, cost, expense, claim, liability or alleged liability arising out of or relating to the Facility, including, without limitation:

- (a) any default by the Borrower under this Agreement or the Subordinated Security;
- (b) any representation or warranty being incorrect; and
- (c) any environmental damage or liability occasioned by the Borrower's or its subsidiaries' activities or by contamination of or from any of the Borrower's or its subsidiaries' properties,

except to the extent arising from the gross negligence or wilful misconduct of any of the Indemnified Persons.

**9.5 Currency**

Unless otherwise specifically provided herein, the Loan Amount, interest thereon and all other amounts payable hereunder and under or pursuant to the Demand Facility shall be paid by the Borrower in Canadian dollars in immediately available funds.

**9.6 Other Documentation**

At the Lender's request, the Borrower will execute and deliver to the Lender such other agreements, documents and instruments, including financing statements and schedules, and do all acts and things as the Lender may reasonably require from time to time to effectively carry out, or give effect to, the terms and full intent of this Agreement or the Subordinated Security, or better evidence or perfect the security granted by the Subordinated Security and the full intent and meaning of this Agreement.

**9.7 Governing Law**

This Agreement and all certificates and other documents delivered by the Borrower hereunder shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each of the parties hereto irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta.

**9.8 Severability**

If any provision of this Agreement, or the application thereof, is determined for any reason and to any extent to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons and circumstances shall remain in full force and effect, provided that the legal or economic substance of the transactions contemplated hereby is not thereby affected in a manner adverse to any of the parties hereto.

**9.9 Headings**

Article and clause headings in this Agreement are included for convenience for reference only and are not part of this Agreement for any other purpose.

**9.10 Counterparts**


This Agreement may be executed in one or more counterparts and by facsimile, portable document format (pdf) or similar electronic means and when signed by both the parties listed below, shall constitute a single binding agreement.

**[REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

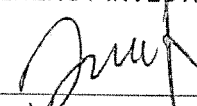


IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

LONG RUN EXPLORATION LTD.

By:   
Name: Corine Bushfield  
Title: SVP + CFO

CALGARY SINOENERGY INVESTMENT CORP.

By:   
Name: Tian Zhou, Deng  
Title: Chairman of the Board of Directors

**SCHEDULE A**

**Drawdown Request**

TO: CALGARY SINOENERGY INVESTMENT CORP.

---

Reference is made to the loan facility agreement dated June ●, 2016 between Long Run Exploration Ltd., as borrower, and Calgary Sinoenergy Investment Corp., as lender (the “**Loan Facility Agreement**”).

1. Pursuant to Article 2 of the Loan Facility Agreement, the undersigned hereby requests that Calgary Sinoenergy Investment Corp. advance the principal amount of CAN\$[**20,000,000/ \$75,000,000/ \$25,000,000**] (the “**Requested Draw**”) to Long Run Exploration Ltd. on ●, 20●.
2. The undersigned hereby certifies that, as of the date hereof, the representations and warranties of the undersigned contained in the Loan Facility Agreement are true and correct as of the date hereof.
3. The undersigned hereby certifies that, as of the date hereof, no default or pending default or borrowing base shortfall that exists under the Senior Credit Agreement, the Senior Security, the other Loan Documents (as such term is defined under the Senior Credit Agreement), the Loan Facility Agreement or the Subordinated Security, no Insolvency Event exists and no such default, pending default or Insolvency Event will occur as a result of the making of the drawdown contemplated herein.
4. The undersigned hereby certifies that the proceeds of the Requested Draw shall be used for the Borrower’s capital spending program and in particular, for the following purpose:

●

Terms used herein that are defined in the Loan Facility Agreement and are not otherwise defined herein have the same meaning herein as in the Loan Facility Agreement.

Dated: ●, 2016

**LONG RUN EXPLORATION LTD.**

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

**FIRST AMENDING AGREEMENT TO THE LONG RUN EXPLORATION LOAN FACILITY  
AGREEMENT DATED JUNE 29, 2016**

This Agreement is made effective as of the 29th day of August, 2016.

BETWEEN:

**LONG RUN EXPLORATION LTD.**

(the "Borrower")

OF THE FIRST PART

AND:

**CALGARY SINOENERGY INVESTMENT CORP.**

(the "Lender")

OF THE SECOND PART

**WHEREAS:**

- A. The Borrower is a subsidiary of the Lender; and
- B. Subject to the terms and conditions set forth herein, the parties wish to amend the Loan 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 Loan Agreement. In this First Amending Agreement and the recitals hereto, unless something in the subject matter or context is inconsistent therewith:

**"First Amending Agreement"** means this first amending agreement made effective as of August 29, 2016 between the Borrower and the Lender.

**"Loan Agreement"** means the loan facility agreement dated June 29, 2016 between the Borrower and the Lender.

2. **Amendment Date.** The amendments contained herein shall be effective as of the date of this First Amending Agreement (the "**First Amendment Date**").
3. **Amendments.** Effective as of the First Amendment Date and upon satisfaction of the conditions precedent set forth in Section 4 below, the Loan Agreement is hereby amended as follows:

conflict with any provision of any applicable law or of its constating documents or by-laws; and

- b. this First Amending Agreement is a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, winding-up, moratorium or similar applicable laws relating to the enforcement of creditors' rights generally and by general principles of equity.
7. **Governing Law.** The parties agree that this First Amending Agreement is conclusively deemed to be made under, and for all purposes to be governed by and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein. There shall be no application of any conflict of law or other rules which would result in any laws other than internal laws in force in the Province of Alberta applying to this First Amending Agreement. The parties hereto do hereby irrevocably 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 this First Amending Agreement, or any of the transactions contemplated hereby or by any thereof, without prejudice to the rights of the Lender to take proceedings in other jurisdictions.
8. **Continuing Effect.** The parties acknowledge and agree that the Loan Agreement, as amended by this First Amending Agreement, the Subordinated Security and all other documents executed and delivered pursuant thereto or in connection therewith, 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 Lender'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 Lender and are consistent with the intention of the parties as evidenced herein with respect to all matters arising under this First Amending Agreement.
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 been intentionally left blank]*

## LOAN FACILITY AGREEMENT

THIS AGREEMENT dated for reference the 29<sup>th</sup> day of June, 2016.

BETWEEN:

**LONG RUN EXPLORATION LTD.**

(the "Borrower")

OF THE FIRST PART

AND:

**CALGARY SINOENERGY INVESTMENT CORP.**

(the "Lender")

OF THE SECOND PART

**WHEREAS:**

- A. The Borrower is a subsidiary of the Lender; and
- B. The Lender has agreed to advance to the Borrower an interest bearing secured loan in an aggregate principal amount of up to CAN\$120,000,000 on the terms and subject to the conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants and agreements hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Borrower and the Lender hereby agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

The terms hereinafter defined shall, for the purposes of this Agreement, have the meanings set out below unless the context otherwise requires:

- (a) "**Availability Period**" means the period from and including the date of this Agreement up to but excluding the End Date;
- (b) "**Business Day**" means any day other than Saturday and Sunday on which banks are ordinarily open for business in Calgary, Alberta, Canada;
- (c) "**Facility**" has the meaning given in section 2.1;
- (d) "**End Date**" means February 1, 2017;

- (h) **“Loan Amount”** means the aggregate principal amount of the Facility for the time being owing but unpaid by the Borrower hereunder together with all accrued but unpaid interest thereon and other costs, charges and expenses payable by the Borrower hereunder;
- (i) **“Margin”** means 150 bps;
- (j) **“Obligations”** means all obligations of the Borrower to the Lender under or in connection with this Agreement, including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Lender, in any currency or remaining unpaid by the Borrower to the Lender, under or in connection with this Agreement, and all interest, fees, legal and other costs, charges, expenses and other obligations;
- (k) **“Permitted Encumbrances”** means as at any particular time any of the following encumbrances on the property or any part of the property of the Borrower:
- (i) liens for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being diligently contested in good faith and appropriate reserves have been made in accordance with GAAP;
  - (ii) deemed liens and trusts arising by operation of law in connection with workers’ compensation, employment insurance and other social security legislation, in each case, which secure obligations not at the time due or delinquent or, if due or delinquent, the validity of which is being diligently contested in good faith and appropriate reserves have been made in accordance with GAAP;
  - (iii) liens under or pursuant to any judgment rendered, or claim filed, against the Borrower, which the Borrower shall be diligently contesting in good faith and appropriate reserves shall have been made in accordance with GAAP;
  - (iv) undetermined or inchoate liens and charges incidental to current operations which have not at such time been filed pursuant to law against the Borrower or which relate to obligations not due or delinquent or, if due or delinquent, the validity of which is being diligently contested in good faith and appropriate reserves have been made in accordance with GAAP;
  - (v) the Senior Security;
  - (vi) Security Interests in favour of the Lender;
  - (vii) the Subordinated Security; and
  - (viii) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security Interest referred to in the preceding subparagraphs (v) and (vii) of this definition,

- (q) “**Senior Security**” means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now held or hereafter granted to The Bank of Nova Scotia, as administrative agent, that secures the payment, performance or discharge of the Senior Debt;
- (r) “**Step 1 Transaction**” means the transaction between the Borrower and the Lender provided for in the Arrangement Agreement and the Plan of Arrangement provided for therein;
- (s) “**Subordinated Security**” has the meaning given in section 5.1;
- (t) “**Subordination Agreement**” means the subordination agreement dated as of the date hereof amongst the Borrower, The Bank of Nova Scotia, as administrative agent under the Senior Credit Agreement and the Lender in which the Lender agreed to, amongst other things, subordinate its Security Interests in the collateral of the Borrower to the Secured Creditors (as such term is defined under the Senior Credit Agreement); and
- (u) “**Third Advance Date**” means the date which is on or before the date that is 120 days after the First Advance Date.

## ARTICLE 2 THE LOAN

### 2.1 Loan

Relying on each of the representations and warranties contained in section 6.1 and subject to the other provisions of this Agreement, the Lender agrees to make available to the Borrower a loan facility on a reducing term basis in an amount of up to CAN\$120,000,000 (the “**Facility**”).

### 2.2 Advances

- (a) The Facility shall be available to Borrower in three (3) separate advances as follows:
  - (i) On the First Advance Date the amount of \$20,000,000 (the “**First Advance**”);
  - (ii) On the Second Advance Date the amount of \$75,000,000 (the “**Second Advance**”); and
  - (iii) On the Third Advance Date the amount of \$25,000,000 (the “**Third Advance**”, and together with the First Advance and the Second Advance, the “**Advances**” and each an “**Advance**”).
- (b) Upon the request of the Borrower for an Advance under this Agreement pursuant to a Drawdown Request (as defined herein), the Lender will advance, subject to its review of the Drawdown Request, the applicable Advance of the Facility to the Borrower during the Availability Period, provided that the Loan Amount shall at no time exceed the amount of the Facility.



demand, default and judgment, at a rate per annum that is equal to the rate of interest then payable on Loans plus 2.00% per annum;

- (d) interest will be calculated by the Lender and the determination of the Lender will, in the absence of manifest error, be binding upon the Borrower;
- (e) changes in the Prime Rate shall cause an immediate adjustment of the interest rate applicable to the Loan Amount and all overdue obligations without the necessity of any notice to the Borrower, but upon the request of the Borrower, the Lender shall inform the Borrower of the rate from time to time being applied;
- (f) whenever a rate of interest or other rate per annum hereunder is calculated on the basis of a year (the "**Deemed Year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest or other rate per annum shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate by the actual number of days in the calendar year of calculation and dividing it by the number of days in the Deemed Year; and
- (g) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; all interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, before and after demand, default and judgment. The rates of interest specified in this Agreement are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

#### **ARTICLE 4 REPAYMENT**

##### **4.1 Repayment of Facility**

- (a) All Obligations in connection with the Facility will be repaid by the Borrower on or prior to the End Date. For greater certainty and notwithstanding any other provision hereof, the Facility will terminate on the End Date unless earlier extended further by mutual agreement of the Lender and Borrower.
- (b) Nothing whatsoever in this Agreement, the Subordinated Security or any other agreements, instruments or documents evidencing or relating to the Facility shall derogate from, limit or alter the demand nature of the Facility and the entire Loan Amount and other obligations under or pursuant to the Facility shall be immediately due and payable on the End Date.

##### **4.2 Prepayment and Re-Advances**

The Borrower may prepay the Loan Amount in part or in its entirety at any time, without any premium or penalty and the amount so repaid may be re-borrowed during the Availability Period in accordance with section 2.2 above.



- (b) this Agreement constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, and all appropriate corporate and other acts, conditions and things required to be done and performed and to have happened prior to the execution and delivery of this Agreement in order to make all of the obligations expressed to be incurred by the Borrower legal, valid, binding and enforceable in accordance with the terms of this Agreement have been done and performed in due and strict compliance with all applicable laws and regulations and, if the Borrower is a corporation, the corporate constating documents of the Borrower prior to the execution and delivery hereof;
- (c) all representation and warranties of the Borrower set out in this Agreement are true and correct as of the date of this Agreement;
- (d) the Borrower's undertaking and property, both real and personal, is not subject to any liens, encumbrances or Security Interests, except Permitted Encumbrances; and
- (e) the Borrower does not carry on business under or use any name or style other than its legal name set out on page one.

## ARTICLE 7 AFFIRMATIVE COVENANTS

### 7.1 Affirmative Covenants

As long as any portion of the Loan Amount and interest due and owing with respect thereto remains unpaid or any obligation of any nature owed by the Borrower to the Lender remains owing, the Borrower shall, unless the Lender otherwise consents in writing:

- (a) perform all covenants, undertakings or agreements made by it in, and observe all of its obligations under, the Senior Credit Agreement, the Senior Security, the Loan Documents (as such term is defined under the Senior Credit Agreement), this Agreement and the Subordinated Security;
- (b) pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it, upon its property or any part thereof, upon its income or profits or any part thereof, except that the Borrower shall not be required to pay or cause to be paid any tax, assessment, charge or levy not yet past due, or that is being contested in good faith by appropriate proceedings;
- (c) maintain, preserve and protect all of its properties in good order and condition, subject to wear and tear in the ordinary course of business;
- (d) maintain (i) insurance with responsible companies in such amounts and against such risks as is usually carried by persons engaged in similar businesses and owning similar properties in the same general area in which the Borrower operates and (ii) insurance required by any governmental department, public body or authority, commission, board, bureau, agency or instrumentality having jurisdiction over the Borrower;

thereto. The failure of the Lender to correctly record any such amount or date will not, however, adversely affect the obligation of the Borrowers to pay amounts due hereunder to the Lender in accordance with this Agreement.

## 8.2 Determination by Lender

Any determination made by the Lender under this Agreement, including, without limitation, any determination relating to indebtedness and interest, will be binding in the absence of manifest error.

## ARTICLE 9 MISCELLANEOUS

### 9.1 Amendments

No amendment, modification, supplement, termination, or waiver of any provision of this Agreement or any document connected herewith, and no consent to any departure by the Borrower therefrom, may in any event be effective unless in writing and signed by the Lender.

### 9.2 Successors and Assigns

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors. This Agreement may not be assigned by any party hereto without the prior written consent of the other party hereto.

### 9.3 Set-Off

In addition to, and not in derogation of, any of its other rights of set-off under applicable law, the Lender will have a right of set-off against any obligations of the Lender to the Borrower upon the occurrence and during the continuance of an Insolvency Event, or upon a demand for payment being made hereunder.


### 9.4 Indemnity

In addition to any liability of the Borrower to the Lender or any affiliate of the Lender hereunder, the Borrower shall indemnify and hold harmless the Lender, its shareholders, affiliates, directors, officers, employees, agents, and their respective successors and assigns (each, an "**Indemnified Person**"), against any and all loss, cost, expense, claim, liability or alleged liability arising out of or relating to the Facility, including, without limitation:

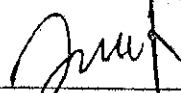
- (a) any default by the Borrower under this Agreement or the Subordinated Security;
- (b) any representation or warranty being incorrect; and
- (c) any environmental damage or liability occasioned by the Borrower's or its subsidiaries' activities or by contamination of or from any of the Borrower's or its subsidiaries' properties,

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

LONG RUN EXPLORATION LTD.

By:   
Name: Corine Bushfield  
Title: SUP + CFO

CALGARY SINOENERGY INVESTMENT CORP.

By:   
Name: Tian Zhou, Deng  
Title: Chairman of the Board of Directors

## DEMAND DEBENTURE

**Lender and Address:** CALGARY SINOENERGY INVESTMENT CORP.  
c/o McCarthy Tétrault LLP  
Suite 4000, 421-7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 5M9

**Date:** June 29, 2016

### PREAMBLE:

- A. Capitalized words and phrases used but not otherwise defined in this Debenture will have the meanings set out in the Loan Agreement.
- B. Long Run Exploration Ltd. (the "**Debtor**") and Calgary Sinoenergy Investment Corp. are parties to a subordinated loan agreement dated June 29, 2016 (such loan agreement as it may be amended, supplemented or otherwise modified or restated from time to time, the "**Loan Agreement**").
- C. To secure the payment and performance of the Principal Sum (as hereinafter defined), the Debtor has agreed to grant to the Lender a security interest over the Collateral (as hereinafter defined) in accordance with the terms of this Debenture.

### **ARTICLE 1 PROMISE TO PAY**

- 1.1 The Debtor, a corporation registered under the laws of the Province of Alberta, for value received, hereby acknowledges itself indebted and promises to pay **ON DEMAND** to or to the order of the Lender or any subsequent holder or holders of this Debenture, the Principal Sum set out below in lawful money of Canada at such place as the Lender, from time to time, may designate by notice in writing to the Debtor, and to pay interest thereon from the date of demand at the rate set out below in like money at the same place on the last day of each month following demand and, should the Debtor at any time make default in payment of any principal or interest, to pay interest both before and after default and judgment on the amount in default at the same rate in like money at the same place on the same dates.

### **ARTICLE 2 PRINCIPAL SUM**

- 2.1 The "**Principal Sum**" is Canadian \$250,000,000.

### **ARTICLE 3 INTEREST RATE**

- 3.1 The "**Interest Rate**" will be a nominal interest rate equal to 20% per annum.

## SECOND AMENDING AGREEMENT

THIS AGREEMENT is made effective as of January 31, 2017

BETWEEN:

**LONG RUN EXPLORATION LTD.**, a corporation subsisting under the laws of the Province of Alberta (hereinafter referred to as the "**Borrower**"),

OF THE FIRST PART,

- and -

**CALGARY SINOENERGY INVESTMENT CORP.**  
(hereinafter referred to as the "**Lender**"),

OF THE SECOND PART.

WHEREAS the parties hereto have agreed to amend and supplement certain provisions of the Loan Agreement as hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows:

### **1. Interpretation**

1.1. In this Agreement and the recitals hereto, unless something in the subject matter or context is inconsistent therewith:

"**Agreement**" means this agreement, as amended, modified, supplemented or restated from time to time.

"**Loan Agreement**" means the loan facility agreement dated June 29, 2016 as amended by a first amending agreement made effective as of August 29, 2016 between the Borrower and the Lender.

1.2. Capitalized terms used herein without express definition shall have the same meanings herein as are ascribed thereto in the Loan Agreement.

1.3. The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, references herein to "Sections" are to Sections of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Section or other portion hereof and include any agreements supplemental hereto.

1.4. This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

## 2. Amendments and Supplements

2.1. **Extension of End Date.** Section 1.1(d) of the Loan Agreement is hereby amended to delete the reference to "February 1, 2017" and to substitute "July 9, 2024" therefor. The parties hereto hereby agree that the End Date is hereby extended from February 1, 2017 to July 9, 2024.

2.2. **Deletion of Definitions Regarding Advance Dates.** Sections 1.1(g), (m), (r) and (u) are hereby deleted in their entirety.

2.3. **Amendment to Definition of Senior Credit Agreement and Related Definitions.** Each of Sections 1.1(o), (p), (q) and (t) of the Loan Agreement are hereby deleted in their entirety and the following are substituted therefor, as applicable:

- (o) "Senior Credit Agreement" means the credit agreement made as of January 31, 2017 between the Borrower, as borrower, the Lender, as guarantor, and China Construction Bank Toronto Branch, as lender, as amended, modified, supplemented or restated from time to time;
- (p) "Senior Debt" means all indebtedness, liabilities and obligations, of any nature or kind, present or future, direct or indirect, matured or unmatured, absolute or contingent, whether revolving or term, and whether secured or unsecured, whether as primary debtor, surety or guarantor, at any time owing by the Borrower or any other Restricted Party to the Lender or LC Provider (as each such term is defined in the Senior Credit Agreement) including, for certainty, the Obligations (as such term is defined in the Senior Credit Agreement) and all interest, fees and other costs and expenses arising under or in respect of the Senior Credit Agreement. For greater certainty, and without limiting the foregoing, any subsequent increase in the principal amount of the indebtedness under the Senior Credit Agreement that is in excess of the existing aggregate commitments of the lender thereunder is and shall be "Senior Debt";
- (q) "Senior Security" means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now held or hereafter granted pursuant to the Senior Credit Agreement that secure payment, performance or discharge of the Senior Debt;
- (t) "Subordination Agreement" means the subordination and postponement agreement made as of January 31, 2017 between China Construction Bank, Toronto Branch, as senior lender, the Borrower, as debtor, and the Lender, as subordinated lender, as amended, modified, supplemented or restated from time to time; and".

2.4. **Amendment to Amount of Facility.** Section 2.1 of the Loan Agreement is hereby amended to delete the reference to "CAN\$220,000,000" and to substitute "CAN\$450,000,000" therefor. The parties hereto hereby agree that the amount of the Facility is hereby increased from CAN\$220,000,000 to CAN\$450,000,000.

2.5. **Amendment to Advances.** Section 2.2(a) of the Loan Agreement is hereby deleted in its entirety and the following is substituted therefor:

- (a) Subject to the terms and conditions hereof, the Borrower may make drawdowns under the Facility (collectively, the "Advances" and each, an "Advance") prior to

the End Date. The Facility shall be non-revolving, that is, the amounts of any Advances under the Facility which are thereafter repaid may not be re-borrowed or utilized again and the Borrower shall not be entitled to request further Advances in respect of such amounts.”.

3. **Representations and Warranties**

The Borrower hereby represents and warrants to the Lender, and the Borrower acknowledges and confirms that the Lender is relying upon such representations and warranties, as follows:

(a) **Capacity, Power and Authority**

It is duly incorporated and is validly subsisting under the laws of the Province of Alberta and has all the requisite corporate capacity, power and authority to carry on its business as presently conducted and to own its property.

(b) **Authorization: Enforceability**

It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered, this Agreement, and this Agreement is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, winding up, insolvency, moratorium or other laws of general application affecting the enforcement of creditors' rights generally and to the equitable and statutory powers of the courts having jurisdiction with respect thereto.

(c) **Compliance With Other Instruments**

The execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated herein do not conflict with, result in any breach or violation of, or constitute a default under the terms, conditions or provisions of the charter or constating documents or by-laws of, or any unanimous shareholder agreement relating to, the Borrower or of any law, regulation, judgment, decree or order binding on or applicable to the Borrower or to which its property is subject or of any material agreement, lease, licence, permit or other instrument to which the Borrower is a party or is otherwise bound or by which the Borrower benefits or to which its property is subject and do not require the consent or approval of any governmental authority or any other party of which the failure to have received or obtained would have or would reasonably be expected to have a material adverse effect.

The representation and warranties set out herein shall survive the execution and delivery of this Agreement and the making of each Advance under the Loan Agreement, notwithstanding any investigations or examinations which may be made by or on behalf of the Lender or Lender's counsel. Such representations and warranties shall survive until the Loan Agreement has been terminated.

4. **Conditions Precedent**

The amendments and supplements to the Loan Agreement contained herein shall be effective upon, and shall be subject to, the satisfaction of the following conditions precedent:

- (a) the Borrower shall have executed and delivered to the Lender an executed copy of this Agreement; and
- (b) the Borrower shall have executed and delivered a supplemental debenture increasing the principal amount thereof to \$800,000,000.

The foregoing conditions precedent are inserted for the sole benefit of the Lender and may be waived in writing by the Lender, in whole or in part (with or without terms and conditions).

**5. Confirmation of Loan Agreement and Subordinated Security**

The Loan Agreement and the Subordinated Security and all covenants, terms and provisions thereof, except as expressly amended and supplemented by this Agreement, shall be and continue to be in full force and effect and the Loan Agreement as amended and supplemented by this Agreement and each of the Subordinated Security is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended and supplemented, with such amendments and supplements being effective from and as of the date hereof upon satisfaction of the condition precedent set forth in Section 4 hereof.

**6. Further Assurances**

The parties hereto shall from time to time do all such further acts and things and execute and deliver all such documents as are required in order to effect the full intent of and fully perform and carry out the terms of this Agreement.

**7. Enurement**

This Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

**8. Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Such executed counterparts may be delivered by facsimile or other electronic transmission and, when so delivered, shall constitute a binding agreement of the parties hereto.

*[Remainder of Page Intentionally Left Blank]*



IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

**BORROWER:**

**LONG RUN EXPLORATION LTD.**

By: 

Name:

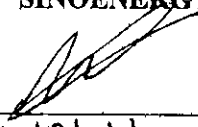
Title:

**Jason Ge**  
**SVP & CFO**

**LENDER:**

**CALGARY SINOENERGY INVESTMENT  
CORP.**

By: \_\_\_\_\_

  
Name: Michael Lam  
Title: Cfo.

By: \_\_\_\_\_

Name:  
Title:

## CONSENT

**TO:** Long Run Exploration Ltd. (the "**Borrower**")

**RE:** Credit Agreement made as of January 31, 2017 between the Borrower, as borrower, Calgary Sinoenergy Investment Corp. ("**CSIC**"), as guarantor, and China Construction Bank, Toronto Branch (the "**Lender**"), as lender (as amended and supplemented to the date hereof, the "**Credit Agreement**")

---

### **WHEREAS:**

- (a) the Borrower is indebted to CSIC pursuant to a loan facility agreement dated June 29, 2016 between the Borrower and CSIC (the "**Subordinated Loan**");
- (b) in connection with the Credit Agreement, the Borrower, CSIC and the Lender entered into a subordination and postponement agreement made as of January 31, 2017 (the "**Subordination Agreement**") wherein CSIC, *inter alia*, (i) subordinated and postponed the Subordinated Loan, together with the security granted by the Borrower to CSIC in connection therewith, in favour of the Lender and (ii) agreed that, until the indefeasible payment in full of all of the indebtedness, liabilities and obligations owing by the Borrower or any other Restricted Party to the Lender pursuant to the Credit Agreement or any other Loan Document (the "**Credit Agreement Repayment Date**"), no payment of principal, interest, fees and costs in respect of the Subordinated Loan would be made by the Borrower to CSIC unless expressly permitted by the Credit Agreement;
- (c) pursuant to the Subordinated Loan, the Borrower was required to pay all obligations, liabilities and indebtedness owing to CSIC under the Subordinated Loan on or prior to February 1, 2017 (the "**Maturity Date**");
- (d) it was the intention of the Borrower and the Lender that the Maturity Date would be a date following the Credit Agreement Repayment Date;
- (e) the Borrower wishes to, among other things, amend the Subordinated Loan to (i) extend the Maturity Date to July 9, 2024 and (ii) increase the principal amount of the loan to Cdn.\$450,000,000;
- (f) in connection with the foregoing amendments, the Borrower wishes to enter into a supplemental debenture to increase the principal amount of the debenture granted in connection with the Subordinated Loan to \$800,000,000;
- (g) pursuant to Section 9.04(16) of the Credit Agreement and Section 19 of the Subordination Agreement, the foregoing amendments require the consent of the Lender;

- (h) it is in the best interests of the Borrower and the Lender that the Lender consent to the forgoing amendments; and
- (i) the Borrower has requested that the Lender consent to the foregoing amendments and the Lender has agreed to provide such consent.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the consent contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by each of the Lender and the Borrower, the Lender and the Borrower hereby agree as follows:

**CONSENT**

1. The Lender hereby consents to the foregoing amendments, as set forth in Sections 2.1 to 2.5, inclusive, and Section 4(b) in the second amending agreement made effective as of January 31, 2017 between the Borrower and CSIC attached hereto as Schedule A (collectively, the "Amendments").

**MISCELLANEOUS**

2. The foregoing consent is limited solely to and shall be effective only with respect to the Amendments.
3. Except as expressly provided herein and for the limited purposes herein, nothing contained herein shall waive, limit or affect (a) any Obligations or (b) any provision of the Credit Agreement or other Loan Documents, all of which continue in full force and effect.
4. Capitalized terms used herein without express definition shall have the same meanings herein as are ascribed thereto in the Credit Agreement.
5. This Consent may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Consent to produce or account for more than one such counterpart. Delivery of an executed counterpart of a signature page of this Consent by telecopy or by other electronic means shall be effective as deliver of a manually executed counterpart of this Consent.
6. This Consent shall be governed by and construed in accordance with the laws of the Province of Alberta.

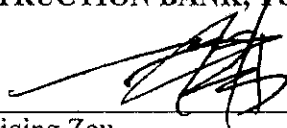
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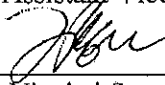
**SCHEDULE A**  
**SECOND AMENDING AGREEMENT**

**(see attached)**

DATED as of December 6, 2017 and made effective as of January 31, 2017.

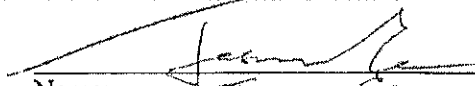
**CHINA CONSTRUCTION BANK, TORONTO  
BRANCH**

Per:   
Name: Ziqing Zou  
Title: Assistant Vice President

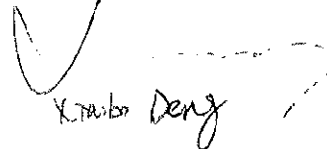
Per:   
Name: Nianbei Sun  
Title: General Manager and Principal Officer

AGREED AND ACKNOWLEDGED BY:

**LONG RUN EXPLORATION LTD.**

Per:   
Name: Jason Ge  
Title: Sr. VP & CFO

**Jason Ge  
SVP & CFO**

Per:   
Name: Xitao Deng  
Title: Director

## THIRD AMENDING AGREEMENT

THIS AGREEMENT is made effective as of October 27, 2020

BETWEEN:

**LONG RUN EXPLORATION LTD.**, a corporation subsisting under the laws of the Province of Alberta (hereinafter referred to as the "**Borrower**"),

OF THE FIRST PART,

- and -

**CALGARY SINOENERGY INVESTMENT CORP.**, a corporation subsisting under the laws of the Province of Alberta (hereinafter referred to as the "**Lender**"),

OF THE SECOND PART.

WHEREAS the parties hereto have agreed to amend and supplement certain provisions of the Loan Agreement as hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows:

### **1. Interpretation**

1.1. In this Agreement and the recitals hereto, unless something in the subject matter or context is inconsistent therewith:

"**Agreement**" means this third amending agreement, as amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time.

"**Loan Agreement**" means the loan facility agreement dated June 29, 2016 between the Borrower and the Lender, as amended by a first amending agreement made effective as of August 29, 2016 and as amended by a second amending agreement made effective as of January 31, 2017, and as the same may be further amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time.

1.2. Capitalized terms used herein without express definition shall have the same meanings herein as are ascribed thereto in the Loan Agreement.

1.3. The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, references herein to "Sections" are to Sections of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions

refer to this Agreement and not to any particular Section or other portion hereof and include any agreements supplemental hereto.

1.4. This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

## **2. Amendments and Supplements**

2.1. ***Amendment to Definition of Senior Credit Agreement and Related Definitions.*** Each of the existing Sections 1.1(o), (p), (q) and (t) of the Loan Agreement are hereby deleted in their entirety and the following are substituted therefor, as applicable:

- “(o) **“Senior Credit Agreements”** means, collectively, (i) the amended and restated credit agreement made as of October 27, 2020 between the Borrower, as borrower, the Lender, as guarantor, and China Construction Bank Toronto Branch, as lender and collateral agent, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time, and (ii) the credit agreement made as of October 27, 2020 between the Borrower, as borrower, the Lender, as guarantor, China Construction Bank Corporation, Qingdao Branch and the other lenders from time to time party thereto, as lenders, and China Construction Bank Toronto Branch, as administrative and collateral agent, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time;
- (p) **“Senior Debt”** means all indebtedness, liabilities and obligations, of any nature or kind, present or future, direct or indirect, matured or unmatured, absolute or contingent, whether revolving or term, and whether secured or unsecured, whether as primary debtor, surety or guarantor, at any time owing by each Obligor to the Secured Parties (as each such term is defined in the Intercreditor Agreement) including, for certainty, the Secured Obligations (as such term is defined in the Intercreditor Agreement) and all interest, fees and other costs, expenses, indemnity obligations and reimbursement obligations arising under or in respect of the Intercreditor Agreement, the Senior Credit Agreements, the Senior Indemnity Agreements or the other Senior Documents. For greater certainty, and without limiting the foregoing, any subsequent increase in (a) the principal amount of the indebtedness under the Senior Credit Agreements that are in excess of the existing aggregate commitments thereunder or (b) the indemnity or reimbursement obligations under the Senior Indemnity Agreements that are in excess of the existing aggregate indemnity and/or reimbursement obligations under the Senior Indemnity Agreements, in each case, are and shall be “Senior Debt”;
- (q) **“Senior Security”** means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now held or hereafter granted pursuant to the Intercreditor Agreement and the other Senior Documents that secure payment, performance or discharge of the Senior Debt, including, without limitation, the Security Documents (as such term is defined in the Intercreditor Agreement);



- (t) **“Subordination Agreement”** means the amended and restated subordination and postponement agreement made as of October 27, 2020 between China Construction Bank Toronto Branch, as collateral agent, the Borrower, as debtor, and the Lender, as subordinated lender, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time;”.

2.2. **Additional Definitions.** Section 1.1 of the Loan Agreement is hereby amended to add, in proper grammatical order, the following new definitions:

- "(i) **“Intercreditor Agreement”** means the collateral agent and intercreditor agreement made as of October 27, 2020 between the Borrower, as borrower, the Lender, as guarantor, certain secured parties party thereto and China Construction Bank Toronto Branch, as collateral agent, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time;
- (ii) **“Senior Documents”** means, collectively, the Intercreditor Agreement, the Senior Credit Agreements, the Senior Indemnity Agreements, the Senior Security and the other Secured Debt Documents (as such term is defined in the Intercreditor Agreement);
- (iii) **“Senior Indemnity Agreements”** means, collectively, (i) the indemnity and reimbursement agreement made effective as of October 27, 2020 granted by the Borrower and the Lender, as obligors, for the benefit of China Construction Bank Corporation, Qingdao Branch, as letter of credit provider, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time, (ii) the indemnity and reimbursement agreement made effective as of October 27, 2020 granted by the Borrower and the Lender, as obligors, for the benefit of Bank of China (Qingdao Branch), as letter of credit provider, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time; and (iii) the indemnity and reimbursement agreement made effective as of October 27, 2020 granted by the Borrower and the Lender, as obligors, to and in favour of CCB Qingdao Sifang Sub-branch, as parent creditor agent, as the same may be amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time;

2.3. **Amendment to Amount of Facility.** Section 2.1 of the Loan Agreement is hereby amended to delete the reference to “CAN\$450,000,000” and to substitute “CAN\$600,000,000” therefor. The parties hereto hereby agree that the amount of the Facility is hereby increased from CAN\$450,000,000 to CAN\$600,000,000.

2.4. **Amendment to References.** Section 2.2(d) of the Loan Agreement is hereby amended to delete the reference therein to “Senior Credit Agreement” and replacing such reference with “Intercreditor Agreement or any other Senior Document”.

2.5. **Amendment to Affirmative Covenants.** Section 7.1(a) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

“(a) perform all covenants, undertakings or agreements made by it in, and observe all obligations under, the Senior Documents, this Agreement and the Subordinated Security;”

2.6. ***Amendment to Affirmative Covenants.*** Section 7.1(g) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

“(g) promptly notify the Lender of (i) any default or pending default under any of the Senior Documents, this Agreement or the Subordinated Security or any event or circumstance which, with notification or with the lapse of time or otherwise, would constitute a default thereunder or (ii) any Insolvency Event;”

2.7. ***Amendment to Affirmative Covenants.*** Section 7.1(h) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

“(h) advise promptly after the happening of (i) any event which could reasonably be expected to result in a material adverse change in the property, assets, financial condition, business or operations of the Borrower and its subsidiaries taken as a whole, (ii) the occurrence of any default, pending default or event of default under the Senior Documents, this Agreement, the Subordinated Security or any other material agreement to which the Borrower is a party, or (iii) an Insolvency Event;”

2.8. ***Amendment to Schedule A.*** Schedule A of the Loan Agreement is hereby deleted in its entirety and replaced with Schedule A attached hereto as Exhibit 1.

### **3. Representations and Warranties**

The Borrower hereby represents and warrants to the Lender, and the Borrower acknowledges and confirms that the Lender is relying upon such representations and warranties, as follows:

(a) **Capacity, Power and Authority**

It is duly incorporated and is validly subsisting under the laws of the Province of Alberta and has all the requisite corporate capacity, power and authority to carry on its business as presently conducted and to own its property.

(b) **Authorization; Enforceability**

It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered, this Agreement, and this Agreement is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, winding up, insolvency, moratorium or other laws of general application affecting the enforcement of creditors' rights generally and to the equitable and statutory powers of the courts having jurisdiction with respect thereto.

(c) **Compliance With Other Instruments**

The execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated herein do not conflict with, result in any breach or violation of, or constitute a default under the terms, conditions or provisions of the charter or constating documents or by-laws of, or any unanimous shareholder agreement relating to, the Borrower or of any law, regulation, judgment, decree or order binding on or applicable to the Borrower or to which its property is subject or of any material agreement, lease, licence, permit or other instrument to which the Borrower is a party or is otherwise bound or by which the Borrower benefits or to which its property is subject and do not require the consent or approval of any governmental authority or any other party of which the failure to have received or obtained would have or would reasonably be expected to have a material adverse effect.

The representation and warranties set out herein shall survive the execution and delivery of this Agreement and the making of each Advance under the Loan Agreement, notwithstanding any investigations or examinations which may be made by or on behalf of the Lender or Lender's counsel. Such representations and warranties shall survive until the Loan Agreement has been terminated.

**4. Conditions Precedent**

The amendments and supplements to the Loan Agreement contained herein shall be effective upon, and shall be subject to, the satisfaction of the following conditions precedent:

- (a) the Borrower shall have executed and delivered to the Lender an executed copy of this Agreement.

The foregoing conditions precedent are inserted for the sole benefit of the Lender and may be waived in writing by the Lender, in whole or in part (with or without terms and conditions).

**5. Confirmation of Loan Agreement and Subordinated Security**

The Loan Agreement and the Subordinated Security and all covenants, terms and provisions thereof, except as expressly amended and supplemented by this Agreement, shall be and continue to be in full force and effect and the Loan Agreement, as amended and supplemented by this Agreement, and each of the Subordinated Security is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended and supplemented, with such amendments and supplements being effective from and as of the date hereof upon satisfaction of the condition precedent set forth in Section 4 hereof.

**6. Further Assurances**

The parties hereto shall from time to time do all such further acts and things and execute and deliver all such documents as are required in order to effect the full intent of and fully perform and carry out the terms of this Agreement.

**7. Enurement**

This Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

**8. Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Such executed counterparts may be delivered by facsimile or other electronic transmission and, when so delivered, shall constitute a binding agreement of the parties hereto.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

**BORROWER:**

**LONG RUN EXPLORATION LTD.**

By:  \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

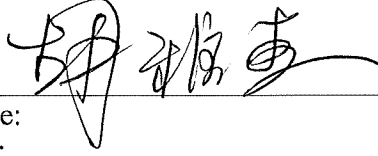
Name:

Title:

**LENDER:**

**CALGARY SINOENERGY INVESTMENT  
CORP.**

By: \_\_\_\_\_



Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

**EXHIBIT 1**

**SCHEDULE A**

**Drawdown Request**

TO: CALGARY SINOENERGY INVESTMENT CORP.

---

Reference is hereby made to the loan facility agreement dated June 29, 2016 between Long Run Exploration Ltd. (the “**Borrower**”), as borrower, and Calgary Sinoenergy Investment Corp. (the “**Lender**”), as lender, as amended by a first amending agreement made effective as of August 29, 2016, as further amended by a second amending agreement made effective as of January 31, 2017 and as further amended by a third amending agreement made effective as of October 27, 2020 (as the same may be further amended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time, collectively, the “**Loan Agreement**”).

1. Pursuant to Article 2 of the Loan Agreement, the undersigned hereby requests that the Lender advance the principal amount of CAN\$[\*] (the “**Requested Draw**”) to the Borrower on [\*, 20[\*].
2. The undersigned hereby certifies that, as of the date hereof, the representations and warranties of the undersigned contained in the Loan Agreement are true and correct as of the date hereof.
3. The undersigned hereby certifies that, as of the date hereof, no default or pending default or borrowing base shortfall exists under the Senior Documents, the Loan Agreement or the Subordinated Security, and no Insolvency Event exists and no such default, pending default or Insolvency Event will occur as a result of the making of the drawdown contemplated herein.
4. The undersigned hereby certifies that the proceeds of the Requested Draw shall be used for the Borrower’s capital spending program and, in particular, for the following purpose:

[\*]

Terms used herein that are defined in the Loan Agreement and are not otherwise defined herein have the same meaning herein as in the Loan Agreement.

DATED: [\*]

**LONG RUN EXPLORATION LTD.**

By: \_\_\_\_\_  
Name:  
Title:

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “G” – Letter from Field Law LLP dated October 8, 2024**



**Trevor Batty**  
Partner  
T 403-260-8537  
F 403-264-7084  
tbatty@fieldlaw.com  
Assistant: Elvina Hussein  
T 403-232-1797  
ehussein@fieldlaw.com

October 8, 2024

**VIA EMAIL**

**WITH PREJUDICE**

Torys LLP  
46th floor, 525 - 8 Avenue S.W.  
Calgary, AB T2P 1G1

**Attention: Kyle Kashuba**

**Re: In the Matter of a Plan of Compromise and Arrangement of Long Run Exploration Ltd. ("Long Run") and Calgary Sinoenergy Investment Corp. ("Sinoenergy", together with Long Run, the "Debtors")  
Court of King's Bench of Alberta File No. 2401 09247 (the "CCAA Proceedings")**

---

As you know, we are the solicitors for Henenghaixin Corp. ("**H Corp**") in the CCAA Proceedings. I understand you act for FTI Consulting (the "**Monitor**"), in its capacity as court-appointed Monitor for the Debtors in the CCAA Proceedings.

As you are also likely aware, H Corp commenced legal action against the Debtors (and others) in Alberta Court of King's Bench Action No: 2001-03353 (the "**H Corp Action**") in February 2020 alleging *inter alia* that the Debtors were the recipients of funds that were diverted from H Corp to the Debtors through transaction(s) that constitute fraudulent conveyances, conversion and/or conspiracy. H Corp claims various remedies against the Debtors, including judgment for damages in the amount of \$44 million, declaratory relief specifying that the funds diverted to the Debtors are held in trust for the benefit of H Corp by way of a constructive trust or equitable lien and a tracing remedy. The Statement of Claim for the H Corp Action is attached for your reference.

More recently, H Corp also filed the affidavit of Frank Zhao affirmed September 13, 2024 (the "**Zhang Affidavit**"), which provides the background to and summarizes the evidence of H Corp Action with 35 Exhibits and more than 1,000 pages.

As evidenced in the Zhang Affidavit, H Corp diligently pursued the H Corp Action until it was stayed by virtue of the Initial Order granted in the CCAA Proceedings on July 4, 2024. On July 11, 2024, H Corp's counsel in the H Corp Action sought the consent of the Monitor to lift the stay of proceedings in order to permit H Corp to proceed with the H Corp Action, including document production and questioning that would provide H Corp with an opportunity to obtain evidence in support of its various claims against the Debtors. The Monitor refused to consent to the lifting of the stay of proceedings for this purpose and accordingly, the Monitor has denied H Corp the opportunity to prove the validity of its fraud and constructive trust claim.

Also in July of 2024, the Monitor brought an Application, dated July 23, 2024 (the “**Application**”) in the CCAA Proceedings for the Second Amended and Restated Initial Order (the “**SARIO**”), among other things, approving the Subscription Agreement (the “**Stalking Horse Bid**”) signed by the Monitor and the Hiking Group Shandong Jinyue Int’l Trading Corporation (the “**Stalking Horse Bidder**”) dated July 23, 2024 and the SISP (as defined in the Application). The Stalking Horse Bid includes a form of Reverse Vesting Order (“**RVO**”). The RVO:

- (a) lists the H Corp Action as one of the “Transferred Liabilities” to be transferred to the Creditor Trust.
- (b) approves the creation of the Creditor Trust named the “Long Run Exploration Residual Trust”.
- (c) substitutes the Creditor Trust as a party in the legal proceedings of the H Corp Action in place of Long Run and changes the style of cause for the proceedings of H Corp Action by deleting Long Run as a party and replacing it with the Creditor Trust as the named defendant.
- (d) approves Long Run’s redemption of all its Common Shares issued to its sole shareholder Calgary Sinoenergy and outstanding immediately prior to the Closing Date at the redemption price of \$0.00001 each.
- (e) approves the issuance of the Purchased Shares by Long Run to the Stalking Horse Bidder at the Purchase Price of \$22 million.

The Creditor Trust will appoint the Monitor as the trustee but designate no beneficiaries. It will have no assets to satisfy any judgment granted against the Creditor Trust other than a Settlement Fund of \$100,000.00 to be paid by the Stalking Horse Bidder or the purchaser of the 100% Purchased Shares at the closing of the Stalking Horse Transaction (as defined in the Application) as the reserve funds for the payment of the compensation of the trustee.

Effectively, if approved the Stalking Horse Transaction and RVO will deprive H Corp of any proprietary interests it has in the “Retained Assets” of Long Run after the conclusion of the CCAA Proceedings relating to Long Run and extinguish the \$44 million fraud claim brought by H Corp against the Debtors four years before the CCAA Proceedings being commenced.

At the Application, H Corp’s then counsel objected to the advance approval of the Stalking Horse Bid on the basis that the effective extinguishment of the H Corp claim, which if proven would rank ahead of the debt of China Construction Bank Toronto Branch or any other secured creditor, is improper and would amount to using the CCAA and the Court’s processes to whitewash a fraud.

Notably, at the same time as the Stalking Horse Bid releases and extinguishes H Corp’s fraud and constructive trust claims against Long Run, it preserves all claims, rights, losses and causes of action by or on behalf of Long Run, against any person including the Third Party Claim filed by the Debtors (the “**Third Party Claims**”) on August 11, 2021 (more than one year after the H Corp Action was filed) naming many of the Defendants in the H Corp Action *and* affiliate companies of H. Corp. The remedies sought by the Debtors in the Third Party Claims include damages for *inter alia*, negligent misrepresentation, knowing assistance, knowing receipt, conversion, and unjust enrichment as follows:

- (a) As against York City, the sole shareholder of H Corp, damages in the amount of \$15 million;
- (b) As against Qingdao Yuhen, the sole shareholder of York City, damages in the amount of \$22 million; and

- (c) As against West Lake, the wholly owned subsidiary of H Corp, damages in the amount of \$30 million for transfers and amounts paid by Calgary Sino on its behalf during the acquisition of Twin Butte.

This specifically demonstrates how inequitable and prejudicial the Stalking Horse Bid is to the rights of H Corp.

The Honourable Justice Little heard the Application and granted the SARIO on July 30, 2024. Justice Little declined to make a ruling on whether the H Corp Action and related claims of H Corp should be Transferred Liabilities or Retained Liabilities and instead at paragraph 51 of the SARIO made it clear that he was reserving H Corp's rights to proceed with its argument at a subsequent motion if the Stalking Horse Bidder is the Successful Bidder pursuant to the SISP.

H Corp's position is that regardless of who the Successful Bidder is under the SISP, the H Corp Action and H Corp's constructive trust claim is a contingent proprietary claim that ought to be preserved as a priority claim against the assets of the Debtors and resolved in an expedited fashion. To do otherwise would be to use the CCAA and the RVO procedure to deprive H Corp of its rights to natural justice. At the same time, H Corp recognizes the Monitor's desire to proceed with the SISP and obtain a sale or investment transaction that is the greatest benefit to all the Debtors stakeholders.

We have instructions to exhaust all legal remedies and oppose the Stalking Horse Bid at the Monitor's application hearing of November 14, 2024 should it proceed.

However, H Corp is prepared to cooperate with the Monitor, and not to object the Stalking Horse Bid ONLY IF the Monitor is prepared to amend the terms of the Stalking Horse Bid by one of the two options as follows that both preserve H Corp's rights and allow the Monitor to proceed with a transaction in the best interests of the Debtors' estates:

- a) If the Stalking Horse Bidder or a third party is the Successful Bidder under the SISP, the Successful Bidder pays the sum of \$44 million (being the maximum amount of H Corp's claim in the H Corp Action) to the Monitor to hold in trust pending an adjudication of H Corp's constructive trust claim, including a determination of the amount and whether it has priority to the claims of the secured creditor of the Debtors. This adjudication could be done on an expedited basis in a streamlined process to be agreed upon between the Monitor and H Corp and could also include the use of an independent Court-appointed Inspector to review the books and records of the Debtors to determine the use and current location of the Diverted Funds – as defined in the H Corp Action;
- b) Alternatively, if the Stalking Horse Bid is the Successful Bidder and the Stalking Horse Bidder is unable or unwilling to post the \$44 million in respect of the H Corp Action, the H Corp Action and H Corp's underlying claims against the Debtors must be included as Retained Liabilities of Long Run in the Subscription Agreement and RVO and following the closing of the Stalking Horse Transaction the H Corp Action will proceed in the ordinary course.

Either of the above two options would allow a transaction to proceed while still preserving H Corp's Action pending a formal and final adjudication. I note that in the recent decision in *Invico Diversified Income Limited Partnership v. NewGrange Energy Inc.* 2024 ABKB 214 the Court only granted a Reverse Vesting Order vesting a royalty claim from the assets AFTER the Court had determined that the royalty claims did not run with the land, were not a proprietary claim and therefore were merely an unsecured contractual obligation.

In this case, due to the more complex nature of H Corp's claim and the Monitor's refusal to consent to the lifting of the stay to allow H Corp to obtain the information required to prove its constructive trust claim, it is not possible for H Corp's proprietary claim to be adjudicated prior to the RVO being granted. This is not, as in *Invico*, a simple matter of reviewing the language in a royalty agreement and its legal effect. H Corp's constructive trust claim will require an investigation of the circumstances surrounding the transactions whereby the funds were allegedly diverted as well as a tracing exercise to determine their ultimate whereabouts. This cannot be accomplished prior to the upcoming application for approval of a sale transaction and must be done following the approval of a transaction, either in a streamlined process as proposed above or in the ordinary course with H Corp's rights being preserved in either way.

Likewise, in *American Iron v. 1340923 Ontario*, 2018 ONSC 2810, the Court at paragraphs 29 and 33 only agreed to grant a Vesting Order vesting off a contingent constructive trust claim on the condition that the Receiver holds an equivalent amount of funds in trust to be available to the constructive trust claimant after an adjudication of the constructive trust claim. H Corp's position is that the same remedy is appropriate in these circumstances to protect H Corp's rights and prevent undue prejudice to H Corp.

I trust the foregoing is clear but please let me know if you have any questions. If the Monitor is willing to entertain one of the solutions H Corp has proposed in this letter, please advise at your earliest opportunity so that we can discuss further and work out the details in advance of the sale approval application scheduled for November 14, 2024. If the Monitor is not willing to agree to one of H Corp's proposed solutions, or to propose an alternative solution that preserves H Corp's rights in an equivalent manner, H Corp will oppose any form of transaction that has the effect of depriving H Corp of its contingent proprietary rights in the assets of the Debtors without a proper adjudication of H Corp's claims set out in the H Corp Action.

Regards,

FIELD LLP



Trevor Batty  
Partner

TAB/eh

Cc: *Wilson Laycraft, Attention: Robert Stack*  
*Song & Howard Law Office, Attention: Roger Song*  
*Cassels Brock LLP, Attention: Jeff Oliver and Danielle Marechal*  
*FTI Consulting Canada Inc., Attention: Deryck Helkaa, Dustin Olver and Brett Wilson*

Supplement to the Fifth Report of FTI Consulting Canada Inc.,  
In its capacity as Monitor of Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.

## **Appendix “H” – Letter from Cassels, Brock & Blackwell LLP dated September 11, 2024**



September 11, 2024

**Via Email**

Field LLP  
400, 444 – 7 Avenue SW  
Calgary, AB T2P 0X8

joliver@cassels.com  
tel: +1 403 351 2921  
file # 060367-1

Attention: Douglas Nishimura

Wilson Laycraft LLP  
650, 211 – 11 Avenue SW  
Calgary, AB T2R 0C6

Attention: Robert Stack

Song & Howard Law Office  
325, 4935 – 40 Avenue SW  
Calgary, AB T3A 2N1

Attention: Roger Song

Dear Sirs:

**Re: In the Matter of a Plan or Compromise and Arrangement of Long Run Exploration Ltd. ("Long Run") and Calgary Sinoenergy Investment Corp. ("Sinoenergy")  
Court File Number 2401-09247 (the "CCAA Proceedings")**

We are counsel for Hiking Group Shandong Jinyue Int'l Trading Corporation ("**Hiking Group**" or the "**Stalking Horse Bidder**").

We are in receipt of your letter dated August 28, 2024, with respect to, *inter alia*, Henenghaixin Corp.'s ("**H Corp**") constructive trust claim against, *inter alios*, Long Run (the "**H Corp Claim**") and H Corp's objection to the proposed form of Subscription Agreement and Reverse Vesting Order appended as Schedule "A" to the sales and investment solicitation process procedures (the "**SISP Procedures**") approved by an order of the Alberta Court of King' Bench proclaimed by the Honourable Justice Little on July 30, 2024 (the "**SARIO**"). Specifically, we understand that H Corp has taken the position that H Corp is entitled to a constructive trust over the assets of Long Run and that the constructive trust claimed by H Corp is a superior claim over the assets of Long Run that ranks in priority to the Lender's Secured Debt (as defined in the SISP Procedure) and should not therefore be treated as a Transferred Liability.

Hiking Group does not agree with your assessment of the priority of the H Corp Claim, as a claim for a constructive trust does not in of itself create a propriety interest in the assets of Long Run. Moreover, a declaration of a constructive trust is a discretionary remedy which will be granted only in extraordinary circumstances and where such extraordinary relief does not unjustly deprive other creditors, including secured creditors, of their rights.

In any event, we write to advise you that Hiking Group will not proceed with the transaction contemplated in the Subscription Agreement (the "**Transaction**"), or any other similar transaction, if the H Corp Claim is treated as a Retained Liability pursuant to the Reverse Vesting Order.

Yours truly,

Cassels Brock & Blackwell LLP



Jeffrey Oliver  
Partner

JO/ag  
Cc: Dentons, Blakes, Bennett Jones and FTI  
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