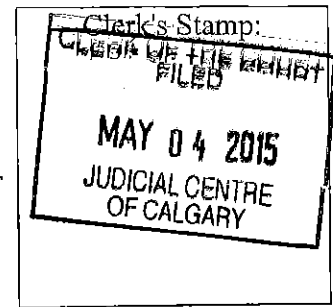


COURT FILE NUMBER	1501-02652
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	PACER CONSTRUCTION HOLDINGS CORPORATION
DEFENDANT	PACER PROMEC ENERGY CORPORATION AND PACER PROMEC ENERGY CONSTRUCTION CORPORATION
DOCUMENT	AFFIDAVIT



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Field LLP 400 - 604 1 ST SW Calgary AB T2P 1M7 Lawyer: Douglas Nishimura Phone Number: (403) 260-8548 Fax Number: (403) 264-7084 Email Address: dnishimura@fieldlaw.com File No.
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AFFIDAVIT OF PAUL LAFRENIÈRE
(Sworn April 29, 2015)

I, Paul Lafrenière, of Notre-Dame-de-l'Île-Perrot, Québec, swear and say that:

- I am the Vice-President and Chief Financial Officer of Construction Promec Inc. ("**Promec**") and I have personal knowledge of the business dealings between Promec and Pacer Construction Holdings Corporation ("**Pacer**") in relation with the debtors Pacer Promec Energy Corporation and Pacer Promec Energy Construction Corporation (collectively: "**PPEC**"), except where stated to be based upon information and belief in which case I believe the same to be true.

Preamble

- On March 6, 2015, Pacer issued an application for the appointment of a receiver to the assets of PPEC pursuant section 243 of the *Bankruptcy and Insolvency Act* (the

"Receivership Application"). The Receivership Application was supported by an affidavit of Richard Pelletier, president of Pacer (the **"Pelletier Affidavit"**).

3. Without the benefit of proper preparation considering the very short notice period, Promec still managed to address certain issues raised in the Receivership Application and the Pelletier Affidavit in a letter to Pacer dated March 10, 2015 (the **"March 10 Letter"**), copy of which is attached as **Exhibit "A"** to this Affidavit.
4. The March 10 Letter was formally filed to the Court Record before the hearing on the Receivership Application.
5. The March 10 Letter raised Promec's concerns notably with respect to (i) the fact that PPEC, through Pacer's control, was using its assets strictly to the benefit of Pacer and to the detriment of Promec and (ii) the proposed funding of the PPEC's receivership.
6. In the afternoon of March 10, 2015, the Receivership Application was heard by Mr. Justice G.C. Hawco. It resulted that:
 - (a) an order was issued (the **"Receivership Order"**) pursuant to which the Receivership Application was granted and FTI Consulting Inc. (the **"Receiver"**) was appointed as receiver to the assets of PPEC;
 - (b) pursuant to paragraphs 20 to 23 of the Receivership Order, the Receiver was authorized to borrow monies up to an aggregate amount of \$10 million to finance the exercise of its powers and duties and the repayment of said borrowings was secured by a charge on all assets of PPEC (the **"Receiver's Borrowings Charge"**);
 - (c) Mr. Justice G.C. Hawco reserved the rights of Promec to address this Court with the issues raised in the March 10 Letter in the context of a debate on the allocation of the Receiver's Borrowings amongst PPEC's assets. That debate could be made at a later date, in accordance with paragraph 24 of the Receivership Order.
7. This affidavit is sworn in support of an application for an order regarding the allocation of the Receiver's Borrowings Charge. It is divided as follows:

- PPEC's corporate structure (paragraphs 8 to 12);
- PPEC's financing (paragraphs 13 to 20);
- PPEC's operations (paragraphs 21 to 44);
- Defaults and governance crisis (paragraphs 45 to 59);
- Pacer's real objectives (paragraphs 60 to 64);
- Promec's right to protect its interests (paragraphs 65 to 73);
- Conclusion (paragraphs 74 to 77).

PPEC's corporate structure

8. Promec is a privately-owned construction company based in Rouyn-Noranda, province of Quebec. Promec's shareholders are all privately-owned holding entities.
9. Pacer is a privately-owned construction company based in Calgary, province of Alberta. Until recently, Pacer's most important shareholder was Richard Pelletier.
10. PPEC was created in April 2013 and is the result of a joint venture between Pacer and Promec to submit bids for construction contracts in the oil industry in the Province of Alberta.
11. PPEC's business seemed promising considering that Pacer and Promec had complementary expertise while having a similar background and business culture.
12. In the summer of 2014, all shares of Pacer were transferred to MasTec, Inc., a large publicly traded U.S. corporation. The relations between Pacer and Promec, as co-shareholders of PPEC, changed gradually as Pacer was now controlled by an entity with a different business culture.

PPEC's financing

13. Initially, PPEC's financing was supported by both of its shareholders.

14. Promec invested a total of \$20,700,000 in PPEC, of which \$2,500,000 was invested in equity and \$18,200,000 was invested in the form of payments to PPEC's suppliers and various services directly rendered by Promec to support PPEC's operations.
15. Pacer invested similar amounts in PPEC, both in equity and payments to suppliers and services rendered.
16. To support PPEC's growing operations, National Bank of Canada ("**NBC**") granted credit facilities in the aggregate amount of \$30,850,000 (the "**NBC Credit Facilities**") pursuant to a Credit Agreement signed on May 23, 2014 (the "**NBC Credit Agreement**"), copy of which is attached as **Exhibit "B"** to this Affidavit.
17. PPEC's obligations under the NBC Credit Agreement were guaranteed by a General Security Agreement over all assets of PPEC (the "**NBC Security**"), copy of which is attached as **Exhibit "C"** to this Affidavit.
18. Both Pacer and Promec jointly and severally guaranteed PPEC's obligations under the NBC Credit Agreement (the "**Pacer/Promec Guarantee**"), copy of which is attached as **Exhibit "D"** to this Affidavit.
19. As of February 18, 2015, the amounts owed by PPEC under the NBC Credit Facilities totalled \$26,043,421.37.
20. On March 5, 2015 (the day prior to the Receivership Application), Pacer paid the amounts owed to NBC and was legally subrogated in all of NBC's rights under the NBC Credit Agreement, the NBC Security and the Pacer/Promec Guarantee. Such legal subrogation was also recorded as an assignment agreement (Exhibit AA in support of the Pelletier Affidavit).

PPEC's operations

21. The core of PPEC's operations consisted in construction contracts with Krupp Canada Inc. ("**Krupp**") for the Kearl Lake Oil Sands Project ("**Kearl Project**") and the Mildred Lake Mine Replacement Project ("**MLMR Project**") (collectively: the "**Krupp Contracts**") and with Canadian Natural Resources Limited ("**CNRL**") for the Horizon Oil Sands Project. There are a total of four (4) ongoing contracts between PPEC and

CNRL, namely the CNRL N5000 Contract, the CNRL N-51 Contract, the CNRL BTU Contract and the CNRL GRU Contract (collectively: the "CNRL Contracts") that are described at paragraphs 41 to 43 of the Pelletier Affidavit.

- Krupp Contracts :

22. The Krupp Contracts are all completed.
23. The execution of the MLMR Project was essentially managed by Promec and involved a significant participation of Promec's staff for the indirect labor on site.
24. The execution of the Kearl Project was managed by newly hired employees who were not related to neither Promec nor Pacer.
25. PPEC's only remaining step with regards to the Krupp Contracts is the collection of PPEC's claim against Krupp (the "**Krupp Claim**"). The Krupp Claim consists of pending receivables and holdbacks for an approximate amount of \$7,785,400 and a claim for extras resulting from several change orders during the execution of both the Kearl Project and the MLMR Project, for amounts estimated at \$41,184,135 and \$21,838,072 respectively.
26. In order to secure the payment of the Krupp Claim, PPEC has registered a lien on the Kearl Lake Oil Sands Project and the Mildred Lake Mine Replacement Project for a total amount of \$•, a copy of the said lien is attached as **Exhibit "E"** to this Affidavit.
27. The collection of the Krupp Claim is being negotiated by the Receiver, with the active involvement of Promec, and may eventually have to be collected through judicial proceedings.

- CNRL Contracts :

28. Although the Pelletier Affidavit is accurate in saying that PPEC entered into the CNRL Contracts, it is incomplete at best as to the description of the reality of the CNRL Contracts.
29. PPEC has two contracts with CNRL (the CNRL BTU Contract and the CNRL GRU Contract), both of which are completed and a \$30 million contract (the CNRL R-51

Contract) that is almost completed and of which PPEC still has to collect an approximate amount of \$13,000,000.

30. PPEC also has a \$40 million contract (the CNRL N-5000 Contract) that is several months from completion.
31. This CNRL N-5000 Contract is at the heart of the issues of this file because (i) a large portion of the Contract was to be performed by a subcontractor related to Pacer, (ii) it is not economically viable for PPEC and (iii) its execution and completion is guaranteed by Pacer and not by Promec.

Appointment of subcontractor

32. In the execution of the CNRL N-5000 Contract, Pacer directed PPEC to grant a subcontract to TFL Industrial Services Ltd. ("**TFL**"), one of Pacer's subsidiary, for the pipe spool fabrication work on that project. However, it quickly appeared that TFL did not have the required capacities to successfully execute its obligations as subcontractor of the CNRL N-5000 Contract.
33. TFL was also designated as subcontractor for the CNRL N-51 Contract for the structural steel fabrication work, despite the fact that it did not have the required capacities to successfully execute its obligations as subcontractor of the CNRL N-51 Contract.
34. Furthermore, in order to accomplish its subcontract for the CNRL N-51 Contract, TFL subcontracted the engineering portion to Corbo Engineering ("**Corbo**"), another subsidiary of Pacer. Corbo was not able to deliver the proper design and engineering as it did not have the expertise to do so. Corbo then had to further subcontract its work to another engineering firm, creating significant delays to the project start-up.
35. In July 2014, after several requests by Promec, TFL finally agreed to subcontract a portion of the CNRL N-5000 Contract and the CNRL N-51 Contract to another fabricator.
36. By that time, TFL's incapacity to properly perform its obligations as subcontractor had caused significant delays and costs to PPEC.

Economic viability of CNRL Contracts

37. The Pelletier Affidavit is conveniently vague as to the status of the CNRL N5000 Contract as it simply says that “*the work is approximately six months from completion ...*” (paragraph 40 of the Pelletier Affidavit) and that the Receiver’s most important step “*will be to evaluate the economic viability of the CNRL Contracts...*” (paragraph 77 of the Pelletier Affidavit).
38. However, the Pelletier Affidavit fails to mention that the analysis of the economic viability of the CNRL N5000 Contract was already made by PPEC and that both Pacer and Promec know that the CNRL N5000 Contract will never generate a profit. On the contrary, should PPEC (or the Receiver) decide to continue the performance of the CNRL N5000 Contract, PPEC will have to assume an important deficit.
39. To confirm Pacer’s knowledge of the fact that the CNRL N5000 Contract is not profitable, the following emails are attached as **Exhibit "F"** to this Affidavit :
- (a) email from Bhaskar Bhowmick, PPEC’s Vice President – Finance, dated November 17, 2014, that notably mentions that “*We have only finished 35% of the job but incurred 65% of the cost!*” and “*Not only we are losing money we are cash negative in a big way*”;
 - (b) email from Bhaskar Bhowmick, PPEC’s Vice President – Finance, dated December 19, 2014;
 - (c) email from Bhaskar Bhowmick, PPEC’s Vice President – Finance, dated February 13, 2015, that notably mentions that “*To sum it up, we need another \$ 27 Mil cash injection for N5000*” and “*And right now, the project is not solvent*”;
 - (d) email from Bhaskar Bhowmick, PPEC’s Vice President – Finance, dated February 17, 2015, that notably mentions that “*I agree with you that this will cause more loss for PPEC*”.
40. As evidenced in the above emails, Joel Thompson (Pacer’s Chief Financial Officer) and Richard Pelletier (Pacer’s President) received copies of the above emails and were therefore well aware of the deficit to be assumed by PPEC to complete the CNRL N5000 Contract.
41. Also, on January 30, 2015, Joel Thompson (Pacer’s Chief Financial Officer) emailed to Promec’s and PPEC’s representatives a document entitled *Cash to Complete* in which

Pacer recognized that the CNRL N5000 Contract was to generate a loss for PPEC, as appears from said email and its attachments, copy of which is attached as **Exhibit "G"** to this Affidavit.

Execution Guarantee of the CNRL N5000 Contract

42. The Pelletier Affidavit fails to address one of the key elements of this matter : the execution of the CNRL N5000 Contract has only been guaranteed by Pacer pursuant to a guarantee executed on • (the “**N5000 Guarantee**”), copy of which is attached as **Exhibit "H"** to this Affidavit.
43. Promec did not sign the N5000 Guarantee or any other guarantee for the CNRL N5000 Contract.
44. Therefore, Pacer, as sole guarantor, assumed all risks associated with the CNRL N5000 Contract. If PPEC is unable to complete that contract, CNRL will not be prejudiced as Pacer will have the obligation to complete it.

Defaults and governance crisis

45. On November 7, 2014, NBC issued a notice of default to PPEC (“**NBC Notice**”), copy of which is attached as **Exhibit "I"** to this Affidavit.
46. NBC also requested that Pacer and Promec make further subordinated advances to PPEC in order to support PPEC’s operations. As mentioned before, PPEC required liquidity mainly in order to complete the CNRL N5000 Contract that had been guaranteed solely be Pacer.
47. In that context, Pacer advanced an aggregate amount of \$12,435,726 to PPEC that is secured by a general security agreement over PPEC’s assets (the “**Pacer Security**”).
48. Promec refused to advance any additional amounts to PPEC because:
 - (a) Promec did not have the financial capacity to continue funding PPEC; and
 - (b) Promec, as a shareholder of PPEC, had no interest to fund the performance of the CNRL N5000 Contract because it would not generate a profit or any benefit for

PPEC (Pacer's interest to fund that contract was not as a shareholder, but rather as the sole guarantor of the CNRL N5000 Contract).

49. Promec consented that the Pacer Security be granted by PPEC, insofar as the Pacer Security be fully subordinated to the NBC Security.
50. On January 8, 2015, Promec learned that PPEC was to collect an amount of \$ 8,000,000 from CNRL and that another amount of \$8,000,000 had already been collected from CNRL on December 28, 2014.
51. In conformity with the NBC Credit Agreement and the NBC Notice, the \$16,000,000 collected by PPEC should have been applied in reduction of PPEC's debt under the NBC Credit Facilities. However, Pacer directed PPEC to use those funds in order to finance the ongoing work for the NCRL N5000 Contract and the NCRL N51 Contract despite the fact that Pacer was aware of the fact that the NCRL N5000 Contract was going to generate a loss.
52. PPEC and Pacer were fully aware that the use of these funds would generate a margin deficit under the NBC Credit Facilities, as detailed in an email dated January 23, 2015 and referred to below at paragraph 53.
53. Moreover, on January 23, 2015, while PPEC was still in default towards the NBC, Pacer directed PPEC to pay \$2 million to Pacer's subsidiary TFL, as appears from a copy of an email of Joel Thompson (Pacer Chief Financial Officer) attached as **Exhibit "J"** to this Affidavit.
54. On the same day, I sent an email to PPEC's representatives in which I specifically addressed the fact that PPEC's funds should be used to :
 - (a) reduce PPEC's indebtedness towards the NBC as first ranking creditor;
 - (b) pay unremitted amounts to the Crown for source deductions for an amount of \$970,336 (this Crown claim ranking prior to the NBC Claim and for which PPEC's directors (including Promec's representative) had a potential personal liability)

a copy of said email is attached as **Exhibit "K"** to this Affidavit.

55. Therefore, the fact that the defaults under the NBC Credit Agreement were not cured is simply the result of Pacer's decision to direct PPEC to use its funds not to repay the amounts owed to NBC and the Crown claims arrears, but rather to (i) pay its subsidiary TFL and (ii) continue funding the CNRL N5000 Contract that would not generate profit and that was guaranteed solely by Pacer.
56. Pacer therefore artificially maintained the PPEC's defaults towards the NBC by allocating PPEC's funds at its convenience without considering the ranking of its creditors or the interests of the stakeholders.
57. The foregoing decisions were made to the detriment of Promec, as co-guarantor under the Pacer/Promec Guarantee.
58. Considering that Promec had no influence over PPEC's activities and that Pacer had shown that it decided to manage PPEC in a way that was detrimental to Promec and its representative on PPEC's board of directors (notably the non payment of the Crown claims for deductions at source), Promec's representative resigned from the board of directors on January • 2015, copy of said resignation letter is attached as **Exhibit "L"** to this Affidavit.
59. Because of Pacer's decisions, PPEC's defaults towards the NBC were not cured, which led to NBC sending a Demand for payment and Notice to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act* on February 18, 2015, copy of which is attached as **Exhibit "M"** to this Affidavit.

Pacer's real objectives

60. As detailed before, through Pacer's control, PPEC has been making business decisions that betray Pacer's real intentions in this file. Pacer is not acting to protect its interests as a secured creditor further to its subrogation in the right of NBC or the interests of creditors at large, but rather in its interests as the sole guarantor of the execution of the CNRL N5000 Contract. By the same token, Pacer is acting to the detriment of Promec as co-guarantor under the Pacer/Promec Guarantee.

61. Indeed, Pacer requested that it be authorized to fund the receivership and that said funding would be secured by the Receiver's Borrowings Charge on all the assets of PPEC (which would mainly consist of the Krupp Receivable which would otherwise be used to pay PPEC's creditors according to their rights), and not only on the CNRL N5000 Contract and its proceeds (if any) which is the main (if not the only) reason why the Receiver requires funding.
62. Therefore, Pacer is not acting to protect its interest as secured creditor further to the subrogation in the rights of NBC, but is rather acting to continue allocating PPEC's assets not to repay the secured debt under the NBC Credit Facilities and, instead, to pay the execution of the CNRL N5000 Contract which it guaranteed.
63. Although Pacer essentially tries to hide behind the fact that it will act as an interim lender to fund the receivership and that, as an interim lender, it requires the Receiver's Borrowings Charge to be allocated in priority over all assets of PPEC, Pacer is really advancing amounts to complete a contract that it guaranteed, just like any other guarantor would do when a debtor is insolvent.
64. Therefore, by trying to disguise itself as an interim lender, Pacer is trying to indirectly share the risks of the CNRL N5000 Contract with Promec despite the fact that Pacer assumed this risk alone.

Promec's right to protect its interests

65. Promec did not contest the appointment of the Receiver. On the contrary, Promec always believed that the appointment of the Receiver would allow more transparency in PPEC's management and an appropriate allocation of PPEC's resources in accordance with the rights of the creditors and the guarantors.
66. The Pacer/Promec Guarantee is governed by the laws of the province of Quebec.
67. I am advised by Promec's Quebec counsel and do verily believe that the *Civil Code of Quebec* ("CCQ") notably includes a provision that provides recourses of a guarantor (or *surety* in the CCQ) against the debtor if the debtor is insolvent :

2359. A surety who has bound himself with the consent of the debtor may take action against him, even before paying, if he is sued for payment or the debtor is insolvent, or if the debtor has bound himself to effect his acquittance within a certain time.

The same rule applies where the debt becomes payable by the expiry of its term, disregarding any extension granted to the debtor by the creditor without the consent of the surety, or where, by reason of losses incurred by the debtor or of any fault committed by the debtor, the surety is at appreciably higher risk than at the time he bound himself.

68. I am also advised by Promec's Quebec counsel that the Court has the discretion under 2359 CCQ to make all orders that are relevant to protect the interests of a guarantor. The guarantor can request that certain measures be put in place to insure that the assets of the debtor are used in a way that will not prejudice the guarantor, including by ensuring that certain amounts of money be applied in reduction of the debt guaranteed by the guarantor.
69. In the present proceedings, 2359 CCQ applies as PPEC is clearly insolvent.
70. As mentioned before, Pacer is proposing that the Receiver's Borrowings Charge ranks in priority over all assets of PPEC, including the Krupp Claim, even if the Receiver's funding is to be provided by Pacer and is required to complete the CNRL N5000 Contract. This causes an important prejudice to Promec who is entitled to request that the assets of PPEC be used according to the rights of the secured creditors.
71. As the holder of the Pacer Security and the NBC Security, Pacer is the sole secured creditor over PPEC's assets. Therefore, the allocation of the Receiver's Borrowings Charge that is hereby suggested will not cause a prejudice to Pacer.
72. Also, the CCQ also provides that a guarantor is discharged of its obligations towards the creditor when he suffers a prejudice as a result of the act of the creditor :
- 2365.** Where, as a result of the act of the creditor, the surety can no longer be usefully subrogated to his rights, the surety is discharged to the extent of the injury he suffers thereby.
73. 2365 CCQ is also relevant in the circumstances described above because the Promec suffers a prejudice from the actions and decisions of Pacer that notably acts as secured creditor of PPEC after the subrogation in the rights of NBC.

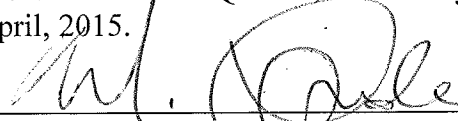
Conclusion

- 74. Promec requests that the Receiver’s Borrowings Charge ranks in priority over the assets for which the funding is required (rights under the CNRL N5000 Contract), but be subordinated to existing security interests over all other assets.
- 75. The net result of this request depends on whether or not the CNRL N5000 Contract will generate a profit:
 - (a) If, as Promec believes, the CNRL N5000 Contract does not generate a profit, Pacer will have assumed the loss, which is consistent with the liability Pacer assumed as sole guarantor of the CNRL N5000 Contract;
 - (b) If the CNRL N5000 Contract does generate a profit, the proceeds will be sufficient to cover the funding of the Receiver and the amounts advanced by Pacer will be repaid in full in accordance with the Receiver’s Borrowings Charge ranking in priority over PPEC’s rights under the CNRL N5000 Contract.
- 76. One way or another, the result of such an allocation of the Receiver’s Borrowings Charge is consistent with the rights and liabilities of the parties and does not prejudice Pacer.
- 77. The alternative suggested by Pacer is to have the funding of the receivership be notably secured by assets for which said funding is not necessary. This is not consistent with the rights of and liabilities of the parties and causes a prejudice to Promec as it forces Promec to share the risks associated with the CNRL N5000 Contract with Pacer despite the fact that Pacer accepted to assume that risk on its own.

SWORN BEFORE ME at the City of Montréal,)
 in the Province of Quebec, this 29 day of)
 April, 2015.)



 PAUL LAFRENIÈRE

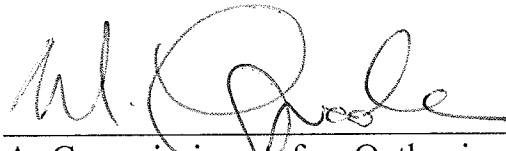


 Commissioner of oath in and for the
 Province of Quebec



**This is EXHIBIT "A" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec





Montreal, March 10, 2015

WITHOUT PREJUDICE

By Email : richard.pelletier@pacercorp.com

Mr. Richard Pelletier
PACER CONSTRUCTION HOLDINGS CORPORATION
1105 – 7th Avenue S.W.
Calgary, Alberta
T2P 1B2

Mr. Richard Pelletier
PACER PROMEC ENERGY CORPORATION
PACER PROMEC ENERGY CONSTRUCTION CORPORATION
1040 – 7th Avenue S.W.
Suite 200
Calgary, Alberta
T2P 3G3

RE: Pacer Promec Energy Corporation and
Pacer Promec Energy Construction Corporation

Dear Sir:

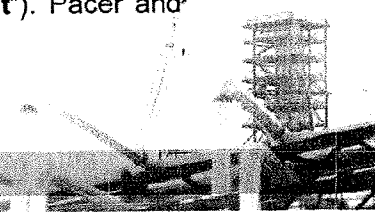
We refer to the e-mail received from Paul Di Marco of MasTec, Inc. ("**MasTec**") dated March 3, 2015 as well as the Court proceedings (the "**Receivership Application**") filed by Pacer Construction Holdings Corporation ("**Pacer**") seeking the appointment of a Receiver over the property of Pacer Promec Energy Corporation and Pacer Promec Energy Construction Corporation (collectively: "**PPEC**").

Without limiting the right of Construction Promec Inc. ("**Promec**") to make representations before the Court, the present will serve to (i) provide clarifications to some of the alleged facts in support of the Receivership Application and (ii) formally express Promec's position with respect to the collection of the Krupp Claim (as defined hereinafter) and the Receivership Application.

Historic recap

PPEC is the result of a joint venture between Pacer and Promec created to file bids for construction contracts in the oil industry in the Province of Alberta.

To support PPEC's operations, National Bank of Canada ("**NBC**") granted credit facilities in the aggregate amount of \$30,850,000 (the "**NBC Credit Facilities**") pursuant to a Credit Agreement signed on May 23, 2014 (the "**NBC Credit Agreement**"). Pacer and



Promec have both jointly and severally guaranteed PPEC's obligations under the NBC Credit Agreement (the "**NBC Guarantee**").

PPEC has been active mainly, but not exclusively, in contracts with Krupp Canada Inc. for the Kearl Lake Oil Sands Project and the Mildred Lake Mine Replacement Project (the "**Krupp Contracts**") and with Canadian Natural Resources Limited ("**CNRL**") for the Horizon Oil Sands Project.

The Krupp Contract

The Krupp Contracts involved a significant participation of Promec's staff and was completed successfully.

In addition to the pending account receivable and holdbacks from Krupp Canada Inc., the execution of the Krupp Contract has resulted in numerous requests for change orders and claims for extras (collectively: the "**Krupp Extras**").

The pending receivable and the Krupp Extras (collectively: the "**Krupp Claim**") represent significant amounts to be received and should be sufficient to repay in full the NBC Credit Facilities.

CNRL

PPEC has entered into 4 contracts with CNRL, 2 of which are for significant amounts, one for \$30.0M and one for \$40.0M (respectively: the "**CNRL R-51 Contract**" and the "**CNRL N5000 Contract**", and collectively: the "**CNRL Contracts**").

On Pacer's influence and pressure, PPEC granted a subcontract with respect to the CNRL Contracts to a subsidiary of Pacer that did not have the structure nor the financial capacities to meet the requirements under such subcontracts.

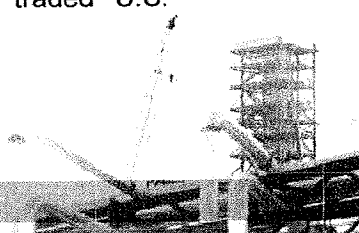
In July of 2014, Promec requested that the subcontractor be replaced by a more competent subcontractor. Pacer refused and supported its subcontractor which have failed to meet the requirements under the subcontract and have put PPEC in default to respect its own obligations under the CNRL N5000 Contract. Such decisions by Pacer were detrimental to PPEC.

Promec has had virtually no control over the CNRL Contracts.

In addition, Pacer has fully guaranteed in favour of CNRL all obligations of PPEC, including the full and complete performance of the CNRL Contracts and the payment of all debt and liabilities of PPEC under or in respect of the CNRL Contracts. As for Promec, it only guaranteed PPEC's obligations on the CNRL R-51 Contract leaving Pacer as the only guarantor for the CNRL N5000 Contract.

While PPEC was initially intended to be a joint venture between two corporations having similar background and business culture, the control over Pacer was transferred in the summer of 2014 from Richard Pelletier to MasTec, a large publicly traded U.S.

PC



Corporation. This change of control over Pacer has had a negative effect on the relation between the shareholders of PPEC and the participation of PPEC in future contracts.

As a result of Pacer's actions with respect to the CNRL Contracts, especially the ongoing support of Pacer in favour of its two defaulted subcontractors under the CNRL Contracts, Promec decided to withdraw from its participation in the execution of the CNRL Contracts.

Notwithstanding its withdrawal from the execution of CNRL Contracts, Promec continued to be involved in the finalization of the Krupp Contract as well as the negotiation related to the Krupp Extras.

November 2014

On November 7, 2014, NBC issued a Notice of defaults to PPEC and advised Pacer and Promec of the existing defaults under the NBC Credit Agreement and requested further advances from the shareholders. Such additional advances were mainly necessary to finance the execution of the CNRL Contracts.

Promec had already invested in PPEC over \$20,000,000 of which \$2,500,000 was invested in equity and \$17,500,000 in the form of direct payments to PPEC's suppliers and various services provided to support PPEC's operations.

Promec was not ready to invest any additional funds for the execution of the CNRL Contracts for which it had little involvement, notably the CNRL N5000 Contract which was fully guaranteed by Pacer and not by Promec.

This is the context under which Pacer decided to support PPEC's operations by advancing \$9,375,000 to PPEC. With the consent of Promec, those advances were secured by PPEC's assets but fully subordinated to NBC's Credit Facilities.

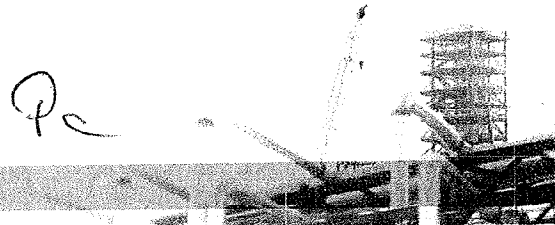
At this point in time, Pacer, via its new shareholder MasTec, Inc., took control of every aspect of PPEC's administration.

January 2015

On January 23, 2015, Promec learned that PPEC was to collect \$8,000,000 in accounts receivable on the same day and had already collected another \$8,000,000 in December of 2014.

Despite its obligation to use those funds to reduce its indebtedness toward NBC in order to respect the financing conditions under the NBC Credit Agreement, PPEC, despite the opposition of Promec and following the intervention of Pacer, decided not to reduce the indebtedness to its secured creditor NBC but rather used those proceeds in order to support the losses generated by the CNRL Contracts.

Therefore, PPEC, acting under Pacer's supervision, voluntarily caused a default under the NBC Credit Agreement.



Additionally, PPEC was in default to remit amounts for deduction at source for almost \$1,000,000 to the Crown.

PPEC and Pacer are well aware that the CNRL N5000 Contract will generate very significant losses. On numerous occasions, Promec confirmed to PPEC and Pacer that it was not willing to provide additional equity or advances to PPEC in order to support the losses resulting from the execution of the CNRL Contracts.

Considering that Pacer is the sole guarantor under the CNRL N5000 Contract, it appears to Promec that Pacer is only using PPEC as a conduit to complete the said contract and is trying to force Promec into sharing the losses of PPEC.

Although it has refused to provide further financing to PPEC, Promec has maintained its willingness to actively provide assistance to collect the Krupp Claim.

Resignation of Promec nominated director

Considering that (i) PPEC decided not to honour its obligations to NBC, (ii) PPEC was defaulting on the payment of the deduction at source owed to the Crown and (iii) Pacer was using PPEC, a clearly insolvent corporation, in order to mitigate its obligations under its own guarantee provided to CNRL, Promec's representative on PPEC's board of directors had no other choice but to resign.

Promec guarantee under the NBC Credit Agreement

We understand that despite the insolvency of PPEC, Pacer has elected to repay NBC under the NBC Credit Agreement and is subrogated to NBC's rights under the NBC Credit Agreement, the whole as more fully confirmed under a Confirmation of Assignment Agreement dated March 5, 2015.

We consider that Pacer, as a party controlling PPEC, has intervened in PPEC's management despite Promec's opposition in such a way that PPEC voluntarily did not respect its obligations towards NBC, thus causing a prejudice to Promec as a guarantor of NBC Credit Facilities.

To this effect, Promec reserves any and all of its rights under the circumstances.

Krupp Claim

Despite its decision not to support PPEC's ongoing operations, Promec has the expertise and the knowledge of the Krupp Contract and its execution and intends to assist PPEC and the Receiver in the negotiation of the settlement of the Krupp Claim.

We believe that the Krupp Claim will generate sufficient proceeds to fully reimburse the NBC Credit Facilities.

Pursuant to the *Suretyship* provisions provided in the *Quebec Civil Code*, which applies to the Guarantee Agreement signed by Promec and Pacer, any act of a creditor that affects the right of a guarantor to be usefully subrogated to its rights reduces the guarantor's obligations to the extent of the prejudice suffered.

Q

Knowing that the advances of Pacer to PPEC are fully subordinated to the NBC Credit Facilities, Promec expects that any proceeds received from Krupp or CNRL shall be used to repay the NBC Credit Facilities.

Any act of Pacer, PPEC or the Receiver to be appointed by the Court at the request of Pacer, which would be contrary to such formal request from Promec, acting as a guarantor, shall be deemed to cause Promec a prejudice which shall reduce equally its obligations to Pacer under the NBC Guarantee.

Receivership Application

a) Appointment of a Receiver

Promec does not oppose the appointment of a Receiver to the assets of PPEC.

b) Funding of the Receivership

However, Promec notes that the proposed Draft Order provides that the Receiver would be authorized to borrow by way of a revolving credit a principal amount of \$10,000,000 to support the Receiver's administration of PPEC.

This financing would be mainly for the purpose of completing the CNRL N5000 Contract, as more fully appears from paragraph 40 of Richard Pelletier's Affidavit (the "**Affidavit**"), to the benefit of Pacer, sole guarantor of the CNRL N5000 Contract.

Despite Pacer's request that the Receiver be empowered to "*evaluate the economic viability of the CNRL Contracts*" (paragraph 77 of the Affidavit and 3(k) of the Draft Order), Pacer already has full knowledge that the CNRL N5000 Contract is not profitable.

Should the Receiver be granted this power, we believe that the Receiver should proceed expeditiously and prepare within the next 7 days provisional cash flow statements.

We also submit that the Court should postpone its decision on the funding request until the Court is properly informed of the "*economic viability of the CNRL Contracts*" and the provisional cash flow to be provided.

c) Receiver's Borrowing Charge

Pacer intends to fund the Receiver (paragraph 80 of the Affidavit) and requests a Receiver's Borrowing Charge to rank ahead of the existing security interests all of which are in favour of Pacer following the repayment and subrogation under the NBC Credit Agreement. Such funding being provided mainly to support the execution of the CNRL N5000 Contract.

Should the Court authorize the funding of the receivership, we believe that the Receiver's Borrowing Charge should rank in priority to any existing charges only in respect to the claims related to the CNRL N5000 Contract and be subordinated to the existing charges on any other assets of PPEC.

PC



To this effect, considering Promec's rights under the NBC Guarantee Agreement and the Law not to be prejudiced by Pacer's actions, we reserve the right to apply to the Court for an order allocating the Receiver's Charge and Receiver's Borrowings Charges in compliance with Promec's rights as a guarantor.

We trust that you will understand Promec's position under the circumstances and remain available to further discuss this mater.

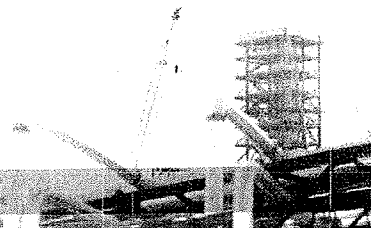
Regards.

CONSTRUCTION PROMEC INC.

A handwritten signature in black ink, appearing to read "Peter Capkun", followed by a long, horizontal flourish.

Peter Capkun, president

c.c. Elizabeth Pillon, (Stikeman Elliott LLP) lpillon@stikeman.com
Geoffrey D. Holub (Stikeman Elliott LLP) gholub@stikeman.com
Paul DiMarco (MasTec Inc.) paul.dimarco@mastec.com
Jean Legault (Lavery, De Billy LLP) jlegault@lavery.ca
FTI Consulting



**This is EXHIBIT "B" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



CREDIT AGREEMENT dated as of May 23, 2014, at Montréal, Québec

- BETWEEN:** **PACER PROMEC ENERGY CORPORATION**, a corporation incorporated under the laws of Alberta and having its registered office in Calgary, Alberta,
(including its successors and permitted assigns, the "**Borrower**")
- AND:** **CONSTRUCTION PROMEC INC.**, a corporation incorporated under the laws of Canada and having its registered office in Rouyn-Noranda, Québec,
(including its successors and permitted assigns, "**Promec**")
- AND:** **PACER CONSTRUCTION HOLDINGS CORPORATION**, a corporation incorporated under the laws of Alberta and having its registered office in Calgary, Alberta,
(including its successors and permitted assigns, "**Pacer**")
- AND:** **NATIONAL BANK OF CANADA**, a Canadian bank having its registered office in the City of Montréal, Québec
(including its successors and assigns, the "**Lender**")

WHEREAS the Borrower has requested that the Lender make available to it certain credit facilities, and the Lender has agreed to such request, subject to the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement, capitalized terms, unless the context otherwise requires or unless otherwise defined, have the respective meanings set out below (and all such terms that are defined in the singular have the corresponding meaning in the plural and *vice versa*):

- 1.1.1 "**Acquisition**", with respect to any Person, means any transaction or series of transactions whereby such Person purchases, acquires or obtains (i) the Control of another Person, (ii) the whole or substantial part of another Person's properties and assets, or (iii) a business, line of business or division of another Person;
- 1.1.2 "**Affiliate**" means, with respect to a Person, any other Person that directly or indirectly Controls, or is Controlled by, or is under common Control with, that Person;
- 1.1.3 "**Agreement**" means this agreement and all schedules attached hereto, as same may be amended, restated, replaced or superseded from time to time;

1.1.4 **"Applicable Laws"** means, with respect to any Person, property, transaction or event, all present or future laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction in any applicable jurisdiction;

1.1.5 **"Applicable Margin"** or **"Applicable Rate"** means, with respect to each type of Loan, the following applicable percentage:

Prime Rate Loans	Bankers' Acceptances	Letters of Credit ¹	Stand-By Fee
0.50%	2.25%	2.25%	0.45%

1.1.6 **"Bankers' Acceptance"** means, at the Lender's discretion, either a depository bill subject to the *Depository Bills and Notes Act* (Canada) or a bill of exchange subject to the *Bills of Exchange Act* (Canada), in each case, drawn by the Borrower and accepted by the Lender;

1.1.7 **"Borrowing Base"** means the amount determined by the Lender as being the sum, without duplication, of:

- (a) 85% of the net aggregate book value of the Borrower's "good" accounts receivable of less than 90 days past due from the original invoice due date, owed by debtors located in Canada which are governmental entities, institutional clients or investment grade clients (i.e. rated AAA to BBB- by Standard & Poors or equivalent rating), or such other clients approved by the Lender at its entire discretion, free from Liens ranking or capable of ranking in priority to the Security and resulting from sale of services, excluding: (i) accounts owed by Affiliates, (ii) accounts in dispute and bad or doubtful accounts, (iii) the amount of all holdbacks, contra accounts or rights of set-off on the part of any account debtor; and (iv) any accounts which the Lender has previously determined to be ineligible,
- (b) 75% of the net aggregate book value of the Borrower's "good" accounts receivable of less than 90 days past due from the original invoice due date, owed by debtors (others than those mentioned in (i) immediately above) located in Canada, free from Liens ranking or capable of ranking in priority to the Security and resulting from sale of services, excluding: (i) accounts owed by Affiliates, (ii) accounts in dispute and bad or doubtful accounts, (iii) the amount of all holdbacks, contra accounts or rights of set-off on the part of any account debtor; and (iv) any accounts which the Lender has previously determined to be ineligible,
- (c) 50% of the net aggregate book value of all holdback amounts on contracts owed to the Borrower, for a maximum of \$2,500,000,

1 Other than documentary letters of guarantee, the rates and commissions in respect of which will be determined in accordance with the rates in effect at the Lender from time to time

less (without duplication) the aggregate of:

- (d) all Potential Prior Ranking Claims;
- (e) all amounts payable to subcontractors of the Borrower which have notified the owner of the immovable property subject to construction or renovation of the existence of its contract with the Borrower; and
- (f) all amounts payable to subcontractors on any project where a builders' liens has been registered on title and all amounts payable to subcontractors where the owner of the property and the Borrower have not retained the statutory holdbacks under Applicable Law pertaining to builders' liens;

(provided that the Lender shall determine, in its sole discretion, what accounts receivable are considered "good" from time to time);

- 1.1.8 "**Business Day**" means a day, other than a Saturday or a Sunday or other day on which banks are required or authorized to close in Montréal, Québec;
- 1.1.9 "**Canadian Dollar**", "**Dollar**" and "**\$**" mean lawful money of Canada;
- 1.1.10 "**Capital Expenditures**" means, for any financial period, any amounts accrued or paid in respect of any purchase or other acquisition for value of capital assets and, for greater certainty, excludes amounts expended in respect of the normal repair and maintenance of capital assets utilized in the ordinary course of business;
- 1.1.11 "**Capitalization**" means Total Debt plus Shareholders' Equity;
- 1.1.12 "**Capital Leases**" means any lease or other arrangement relating to property or assets with respect to which the obligations thereunder are required in accordance with GAAP to be capitalized on a balance sheet of a person or otherwise be disclosed as such in a note to such balance sheet and, for greater certainty, Capital Lease shall not include any lease classified in accordance with GAAP as an operating lease;
- 1.1.13 "**Contaminant**" includes, without limitation, any pollutant, chemical, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental Law;
- 1.1.14 "**Control**" (including any correlative term) means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or trust interests, by contract or otherwise); without limiting the generality of the foregoing (i) a Person is deemed to Control a corporation if such Person (or such Person and its Affiliates) holds outstanding shares of the corporation carrying votes in sufficient number to elect a majority of the board of directors of the corporation, (ii) a Person is deemed to Control a partnership if such Person (or such Person and its Affiliates) holds more than 50% in value of the equity of the partnership, (iii) a Person is deemed to Control a trust if such Person (or such Person and its Affiliates) holds more than 50% in value of the beneficial interests in the trust, and (iv) a Person that controls another Person is deemed to Control any Person controlled by that other Person;

- 1.1.15 "**Credit Facilities**" means, collectively, Facility 1, Facility 2 and Facility 3;
- 1.1.16 "**Current Ratio**" means, for any Person at any date, the current assets of such Person divided by the current liabilities of such Person, all as determined in accordance with GAAP;
- 1.1.17 "**Debt Service**" means, for any period, the principal amount paid or payable during such period in respect of Indebtedness, including all principal amount paid or payable during such period under the Loan Documents;
- 1.1.18 "**Default**" means any event or circumstance which constitutes an Event of Default or which, with the lapse of time, the giving of a notice or both, would constitute an Event of Default;
- 1.1.19 "**Discount Rate**", on any given day, means the bankers' acceptance discount rate of the Lender for the applicable period in effect at or about 10:00 a.m. (Montréal time) on such day for a comparable period or, if such day is not a Business Day, on the immediately preceding Business Day;
- 1.1.20 "**Discounted Proceeds**" means, with respect to any Bankers' Acceptance, an amount equal to the result of the following mathematical formula, rounded to the nearest whole dollar:

$$\text{Bankers' Acceptance Face Amount} \times \left(\frac{1}{1 + \left(A \times \frac{B}{C} \right)} \right)^*$$

* = rounded to the nearest fifth decimal point

where, "**A**" is the Discount Rate;

"**B**" is the period of the selected Bankers' Acceptance expressed in days,
and

"**C**" is 365.

- 1.1.21 "**Disposition**" means, for any Person, any sale, lease, transfer, conveyance or other disposition (including pursuant to a sale and leaseback transaction), of any of that Person's properties or assets (including shares or other securities), in one transaction or a series of transactions;
- 1.1.22 "**Distribution**" means any payment in cash or in kind that provides a return on, or constitutes a distribution or redemption of, the equity or capital of a Person (other than by way of the issuance of new equity interests), any setting aside of cash or property for any such purpose, and any other payment in cash or in kind by a Person to any shareholder of such Person, or to any Affiliate, or holder of Subordinated Debt of such Person, including, without limitation, reverse earn-out payments, dividends or repayment of debt or making of loans to any such Person;

- 1.1.23 "**EBITDA**" means, for any period, the earnings for such period before (x) Interest Charges, (ii) the aggregate of all taxes (including future taxes) for such period, (iii) the aggregate of all depreciation, amortization and other like reductions to income not involving or requiring an outlay of cash for such period, and (iv) losses and gains incurred in connection with non-cash extraordinary items, the whole in accordance with GAAP;
- 1.1.24 "**Environmental Activity**" means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including, without limitation, movement through or in the air, soil, surface water, groundwater, wetlands, land or subsurface strata;
- 1.1.25 "**Environmental Laws**" means all laws, rules and regulations, and any orders or legally binding policies, in each case as now or hereafter in effect, relating to the regulation or protection of human health, safety or the environment or relating to any Environmental Activity, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Contaminants;
- 1.1.26 "**Financial Assistance**" means any form of direct or indirect financial assistance of any other Person by means of a loan, guarantee or otherwise, or any obligations (contingent or otherwise) intended to enable another Person to incur or pay any debt or comply with any agreements related thereto or to otherwise assure or protect creditors of another Person against loss in respect of debt or any other obligations of such other Person;
- 1.1.27 "**Fixed Charge Coverage Ratio**" means, for any period, the ratio of (i) EBITDA less cash taxes for such period, Distributions made during said period and unfunded Capital Expenditures made during said period, to (ii) Debt Service and Interest Charges;
- 1.1.28 "**GAAP**" means generally accepted accounting principles in Canada in effect from time to time applied in a consistent manner from period to period;
- 1.1.29 "**Guarantors**" means Promec and Pacer, and their respective successors and assigns, and any Subsidiary of the Borrower who becomes a guarantor under a Security Document, and "**Guarantor**" means any one of them;
- 1.1.30 "**Hedging Contract**" means any agreement, whether or not in writing, relating to any transaction that is a commodity swap, futures contract, commodity option, cap, collar or floor transaction, any foreign exchange contract, currency swap agreement, interest rate hedging agreement, interest rate swap, cap or collar agreement or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing;
- 1.1.31 "**Indebtedness**" for any Person means the sum, without duplication, of:
- (a) indebtedness of such Person for monies borrowed or raised, including any indebtedness represented by a note, bond, debenture or other similar instrument of such Person;

- (b) indebtedness of such Person arising from loans of commodities, bankers' acceptances, letters of credit or letters of guarantee;
- (c) indebtedness of such Person for the deferred purchase price of property or services, other than for consumable non-capital goods and services purchased in the ordinary course of business, including arising under any conditional sale or title retention agreement, and all indebtedness secured by Purchase Money Mortgage;
- (d) obligations of such Person under Capital Leases;
- (e) the aggregate amount at which shares in the capital of such Person that are redeemable at the option of the holder thereof may be redeemed;
- (f) any indebtedness of others guaranteed by such Person;
- (g) Liens granted by such Person in respect of Indebtedness owed by third parties;
- (h) the Negative Value of Hedging Contracts or similar obligation obligating such Person to make payments, whether periodically or upon the happening of a contingency, to the extent required to be accounted for as a liability or a contingency in the financial statements of such Person in accordance with GAAP; and
- (i) all other obligations of such Person;

in each case, all as is required to be disclosed in the financial statements or notes thereto of such Person in accordance with GAAP;

- 1.1.32 "**Interest Charges**" means, with respect to any period, the sum (without duplication) of all interests, fees, charges and expenses, however characterized, paid or payable in respect of Indebtedness, including, without limitation, all interest capitalized or deferred during such period, and all interests, fees, charges and expenses paid or payable under the Loan Documents during such period;
- 1.1.33 "**Investment**" means the acquisition (whether for cash, property, services, securities or otherwise) of shares, bonds, notes, debentures, partnership or other property interests or other securities of any other Person or any agreement to make any such acquisition;
- 1.1.34 "**ISDA Master Agreement**" means the applicable standard Master Agreement of the International Swap Dealers Association Inc. in effect from time to time in use at the Lender and includes all its schedules, credit support annexes and all confirmations documented pursuant thereto;
- 1.1.35 "**Letter of Credit**" means a stand-by or documentary letter of credit or guarantee issued by the Lender on behalf of the Borrower for the purpose of (i) paying suppliers of goods or (ii) providing security or a guarantee to a third party that the Borrower or a person designated by the Borrower will perform a contractual obligation owed to such third party;

- 1.1.36 "**Lien**" means a mortgage, hypothec, legal hypothec, prior claim, pledge, lien, charge or encumbrance, whether fixed or floating, on, or any security interest in any property, whether immovable or real, movable or immovable, or mixed, tangible or intangible or a pledge for hypothecation thereof or trust or presumed or deemed trust or any other mechanisms of right benefiting the holder thereof or any conditional sale agreement or other title retention agreement or equipment trust relating thereto or any lease relating to property which would be required to be accounted for as a Capital Lease on the balance sheet of a Person;
- 1.1.37 "**Loan Documents**" means this Agreement, the Security Documents, the Hedging Contracts and the ISDA Master Agreement entered into with the Lender and any other present and future document relating to any of the foregoing, as amended, supplemented or restated from time to time;
- 1.1.38 "**Loans**" means collectively the Prime Rate Loans, the Bankers' Acceptances and the Letters of Credit and "**Loan**" means, individually, any of the Loans;
- 1.1.39 "**Material Adverse Change**" means, with respect to any Person, any circumstance, event or development which has had or could reasonably be expected to have a Material Adverse Effect;
- 1.1.40 "**Material Adverse Effect**" means (i) a material adverse effect on the condition (financial or otherwise), business, operations, assets or properties of the Borrower or a Guarantor, (ii) a material adverse effect on the ability of the Borrower or a Guarantor to timely pay any amounts due under any Loan Document or fulfill any material covenant or perform any material obligation under any Loan Document, or (iii) a material adverse effect on the legality, validity or enforceability of any of the Loan Documents or the rights or remedies of the Lender under any Loan Document;
- 1.1.41 "**Negative Value of Hedging Contracts**" means, with respect to any Person, on any day the costs incurred or that would be incurred by a counterparty further to cancellations, buybacks, reversals, terminations or assignments on such day of a Hedging Contract and to which such Person is a party, as established from time to time in good faith by such counterparty on the basis of the market value of such Hedging Contract, but in case of default, on the basis of the formula proposed by the "ISDA Master Agreement" of the International Swaps and Derivatives Association, Inc. (version 2002) under section 6 (e) "Payments on Early Termination" in the case of currency or interest exchange agreements or other agreements governed by such agreement;
- 1.1.42 "**Permitted Liens**" means:
- (a) reservations in any original grants from the Crown of any land or interest therein, statutory exceptions to title and reservations of mineral rights (including coal, oil and natural gas) in any grants from the Crown or from any other predecessors in title;
 - (b) restrictions, servitudes, easements, licenses, restrictive covenants, rights-of-way and rights of access or use for purposes of public utility, or for encroachments, rights of view or otherwise, including, without in any way limiting the generality of the foregoing, the sewers, drains, gas and water mains, steam transport, electric light and power or telephone and telegraph conduits, poles and cables, pipelines

or zoning restrictions affecting immovable properties which will not materially or adversely impair the use for which any one of such immovable properties is intended nor substantially diminish any Liens thereon;

- (c) any Lien for taxes, assessments or other governmental charges or levies not yet due by a Person or, if due, the validity of which is being contested diligently and in good faith by or on behalf of said Person by proper legal proceedings, provided the action to enforce the same has not proceeded to final non-appealable judgment and adequate provision has been made for the payment thereof in accordance with GAAP and in a manner acceptable to the Lender;
- (d) any Lien of any judgment rendered or claim filed against any Person, which Person or any other Person on its behalf, shall be contesting diligently and in good faith by proper legal proceedings, provided the action to enforce the same has not proceeded to a final non-appealable judgment and adequate provision has been made for the payment thereof in accordance with GAAP and in a manner acceptable to the Lender;
- (e) any Lien of any craftsman, workman, builder, contractor, supplier of materials, architect, engineer or subcontractor or any other similar Lien related to the construction or the renovation of any property, provided that such Lien secures an obligation of a Person and whose term has not expired or that such Person is not in default to perform same, or if its term has expired or such Person is in default to perform same, provided that such Person commences action within a delay of less than fifteen (15) days of its registration or publication to cause its cancellation or radiation unless the validity of such Lien is being contested diligently and in good faith by or on behalf of such Person by proper legal proceedings, provided the action to enforce the same has not proceeded to a final non-appealable judgment and adequate provision has been made for the payment thereof in accordance with GAAP and in a manner acceptable to the Lender;
- (f) minor title defects, homologated lines, zoning and building by-laws, ordinances, regulations and other governmental restrictions on the use of immovable property, provided that none of the foregoing, in the aggregate, adversely affects the value or marketability of such immovable or real property;
- (g) the pledges or deposits of cash or securities made pursuant to Applicable Laws relating to workmen's compensation or similar Applicable Laws, or deposits of cash made in good faith in connection with offers, tenders, leases or contracts (excluding, however, the borrowing of money or the repayment of money borrowed) and deposits of cash or securities in order to secure appeal bonds or bonds required in respect of judicial proceedings;
- (h) undetermined or inchoate Liens, arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with Applicable Law or of which written notice has not been duly given in accordance with Applicable Law or which, although filed or registered, relate to obligations not due or delinquent;

- (i) the rights reserved to or vested in governmental authorities by statutory provisions or by the terms of leases, licences, franchises, grants or permits, which affect any land, to terminate any such leases, licences, franchises, grants or permits or to require annual or other payments as a condition to the continuance thereof;
- (j) security to public utilities or governmental authorities when required by the utility or governmental authority in connection with the supply of services or utilities to any Person in the operation of its business, and security granted as part of any refundings or renewals thereof provided the security is restricted to the same collateral;
- (k) any Purchase Money Mortgage and any conditional sales agreement or other title retention agreement (including any Capital Lease) with respect to assets of such Person provided the obligations of such Person under such Purchase Money Mortgage, Capital Lease, conditional sales agreement or other title retention agreement are permitted under this Agreement, and any Lien granted as part of any refunding or renewal of the outstanding amount secured by such Purchase Money Mortgage, Capital Lease, conditional sales agreement or other title retention agreement provided such Lien is restricted to the same collateral and the obligations of such Person under such Liens are permitted under this Agreement;
- (l) Liens for the benefit of the Lender.

1.1.43 "**Person**" means any natural person, corporation, company, partnership, joint venture, unincorporated organization, trust, association, a government or any department or agency thereof or any other entity;

1.1.44 "**Potential Prior-Ranking Claims**" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any Applicable Law, which ranks or is capable of ranking in priority to the Security or otherwise in priority to any claim by the Lender for repayment of any amounts owing under this Agreement;

1.1.45 "**Prime Rate**" means, for any day, the annual rate of interest announced by the Lender from time to time as being its reference rate then in effect for determining interest rates for commercial loans denominated in Canadian Dollars made by it in Canada;

1.1.46 "**Prime Rate Loan**" means a loan denominated in Canadian Dollars made under Facility 1 and bearing interest at the Prime Rate plus the Applicable Margin;

1.1.47 "**Purchase Money Mortgage**" means :

- (a) any Lien created, issued or assumed to secure Indebtedness not in excess of the value of the underlying property granted as security as a part of, or issued or incurred to provide funds to pay, the purchase price of any immovable property or movable property, provided that such Lien is limited to the property so acquired and is created, issued or assumed substantially concurrently with the acquisition of such property; and

- (b) any renewal, refunding or extension of any such Lien securing Indebtedness in a principal amount not in excess of the unpaid principal amount of the Indebtedness secured thereby immediately prior to such renewal, refunding or extension;
- 1.1.48 **"Release"** includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;
- 1.1.49 **"Security"** means the security and subordinations granted and the guarantees, undertakings and acknowledgments provided to or for the benefit of the Lender pursuant to Article 9;
- 1.1.50 **"Security Documents"** means any document or agreement evidencing or relating to the Security;
- 1.1.51 **"Shareholders' Equity"** for any Person means, at any time, the amount which would, in accordance with GAAP, then be included as shareholders' equity on a consolidated balance sheet of such Person including, without limitation, (i) equity attributable to the issuance of preferred shares redeemable, at the option of the said Person, in more than one year (but not including equity attributable to the issuance of preferred shares redeemable within one year or shares as payment-in-kind dividends on existing shares), (ii) contributed surplus, (iii) retained earnings, and (iv) Subordinated Debt;
- 1.1.52 **"Subordinated Debt"** means Indebtedness that is subordinated, both as to principal, interest and accessories, on terms satisfactory to the Lender, to the obligations owing to the Lender hereunder or under any other Loan Document;
- 1.1.53 **"Subsidiary"** means a Person that is under the Control of another Person;
- 1.1.54 **"Taxes"** means any tax whatsoever, including, without limitation, any federal, state, provincial, municipal, school, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamps, occupation, premium, environmental, customs duties, capital stock, capital, franchise, profits, withholding, social security, unemployment, disability, property, sales, use, transfer, registration, value added, goods and services, *ad valorem* or other tax, fee, assessment or charge of any kind whatsoever, (including Canada Pension Plan and Provincial pension plan contributions), including any interest, penalty, or addition thereto, whether disputed or not;
- 1.1.55 **"Total Debt"** means all obligations of a Person, which according to GAAP, should be classified on the Person's balance sheet as liabilities or to which reference should be made by footnotes thereto, including, and whether or not so classified, all Indebtedness, but excluding tax liabilities, trade accounts payable, obligations under operating leases and other accrued obligations incurred in the ordinary course of business and any Subordinated Debt;
- 1.1.56 **"Total Debt to Capitalization Ratio"** means the ratio of Total Debt to Capitalization.

1.2 Accounting Terms and Calculations

Unless otherwise provided, (i) terms and expressions of an accounting or financial nature have the respective meanings given to such terms and expressions under GAAP, (ii) calculations must be made in accordance with GAAP insofar as applicable, and (iii) financial covenants must be calculated on a consolidated basis.

1.3 Headings

The headings are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.

1.4 Governing Law

This Agreement is governed by and construed in accordance with laws of the Province of Québec and the laws of Canada applicable therein.

1.5 Previous Agreements

This Agreement, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the whole and entire agreement between the parties in respect of the Credit Facilities. There are no verbal agreements, undertakings or representations in connection with the Credit Facilities.

2. THE CREDIT FACILITIES

2.1 Description and Amounts

- 2.1.1 The Lender agrees to make available to the Borrower a demand revolving credit facility (the "**Facility 1**") in a principal amount not to exceed the lesser of (i) \$30,000,000 and (ii) the Borrowing Base.
- 2.1.2 The Lender agrees to make available to the Borrower a treasury risk management facility (the "**Facility 2**") having an aggregate risk content not exceeding \$500,000.
- 2.1.3 The Lender agrees to make available to the Borrower a demand MasterCard facility (the "**Facility 3**") for a principal amount not exceeding \$350,000.

2.2 Purpose of Credit Facilities

- 2.2.1 Borrower will use the proceeds of Facility 1 and Facility 3 for its general corporate purposes.
- 2.2.2 Facility 2 is an authorization for Borrower to incur obligations under Hedging Contracts entered into with the Lender and is granted only to assist the Borrower in its hedging strategies, as approved from time to time by the Lender. Borrower may not use Hedging Contracts for speculation purposes.

2.3 Availability and Loan Options

- 2.3.1 Facility 1 will revolve and, accordingly, Loans may be obtained, repaid and re-borrowed until Lender terminates same. Loans may be obtained under Facility 1 in the form of:

- (a) Prime Rate Loans;
- (b) Bankers' Acceptances; and
- (c) Letters of Credit, for an aggregate face amount at all times not to exceed \$5,000,000;

provided that Facility 1 is made available at the sole discretion of the Lender and the Lender may cancel or restrict availability of any unused portion of Facility 1 at any time and from time to time upon notice to Borrower. For greater certainty, the Borrower acknowledges that the aggregate outstanding Loans under Facility 1 (including, without limitation, all Letters of Credit) must not at any time exceed the maximum amount permitted under Section **Error! Reference source not found.** as per the most recent report on the Borrowing Base delivered to the Lender in accordance with Section 14.3.

2.3.2 Facility 2 and Facility 3 are also demand Facilities and may be cancelled at any time by the Lender upon notice to Borrower.

2.4 Notice of Loans

2.4.1 To obtain a Loan under Facility 1 (other than a Prime Rate Loan), the Borrower must give a notice to the Lender in the form of Schedule 2.4 (a "**Drawdown Notice**") specifying:

- (a) the amount of the Loan;
- (b) the date of the Loan, which must be a Business Day; and
- (c) to the extent applicable, the period of the Loan.

2.4.2 Borrower may draw Prime Rate Loans under Facility 1 by requesting a direct advance or by debiting the bank account specifically designated for such purposes by the Lender by way of drafts, checks, electronic transfer or other means acceptable to Lender, and each such debit shall constitute a Prime Rate Loan under Facility 1.

2.5 Conversions and Renewals

2.5.1 Provided that no Default or Event of Default has occurred and is continuing, the Borrower may convert the whole or any part of the outstanding Loans under Facility 1 to another form of permitted Loan and renew Bankers' Acceptances and Letters of Credit, provided that Bankers' Acceptances may not be converted prior to the maturity of their respective periods.

2.5.2 In order to obtain a conversion or renewal mentioned in Section 2.5.1, the Borrower must give to the Lender in writing a notice in the form of Schedule 2.4 (a "**Conversion Notice**") at least two (2) Business Days in advance of such conversion or renewal.

2.6 Other Facilities

The Hedging Contracts and Facility 3 shall be governed by the terms and provisions of separate agreements delivered in connection with such facilities, including such Hedging

Contracts and ISDA Master Agreement, and the MasterCard credit card agreements and documentation in effect from time to time.

3. BANKERS' ACCEPTANCES

3.1 Particulars of Bankers' Acceptances

Each Bankers' Acceptance requested by the Borrower to be accepted by the Lender shall have a period between 30, 60, 90, 180 days, subject to market availability, with no days of grace (as that term is defined in the *Bills of Exchange Act* (Canada)).

Furthermore, the Borrower shall not be entitled to request an advance by way of Banker's Acceptance which would result in the nominal amount thereof being less than \$1,000,000 and all advances by way of Bankers' Acceptances must be in multiples of \$100,000.

3.2 Discount of Bankers' Acceptances

The Bank agrees, in accordance with the terms and conditions set forth herein, to purchase Bankers' Acceptances accepted by it. Any Bankers' Acceptance so purchased by the Bank may be held by it for its own account or sold or traded in the money market, either directly or through securities brokers or dealers or a clearing house within the meaning of the *Depository Bills and Notes Act* (Canada), in accordance with the arrangements made by the Lender.

3.3 Lender to Make Discounted Proceeds Available to Borrower

The Lender shall make the amount equal to the Discounted Proceeds in respect of any Bankers' Acceptance discounted by it, less the amount of any stamping fees payable in relation thereto, available to the Borrower, on the issuance date, in funds immediately available to the Borrower by depositing same in the account held at the Lender for management of Facility 1.

3.4 Maturity Date of Bankers' Acceptances

Upon maturity of a Banker's Acceptance, the Borrower shall pay to the Lender an amount equal to the face amount of the maturing Bankers' Acceptance, except for the portion of said face amount or part thereof which is to be converted or renewed in accordance with Section 2.5.

3.5 Deemed Conversion on Maturity Date

In the event the Borrower does not deliver to the Lender any conversion or renewal notice or make a payment as contemplated in the immediate preceding paragraph, or, in the event the Borrower does deliver any such notice, but at any relevant date of conversion, there exists a Default or an Event of Default, then the Borrower shall be deemed to have issued a conversion notice requesting that the portion of the Advance outstanding by way of Bankers' Acceptances about to mature be converted into Prime Rate Loans.

3.6 Lender to Sign Bankers' Acceptances on Behalf of Borrower

In order to facilitate advances, conversions and renewals with respect to the Bankers' Acceptances, the Borrower hereby authorizes the Lender to sign, endorse and complete Bankers' Acceptances on its behalf in handwritten or by facsimile or mechanical signature or otherwise and, once so signed, endorsed and completed, to purchase, discount, negotiate same or deposit them in a clearing house as contemplated in the *Depository Bills and Notes Act* (Canada), the whole as and when deemed necessary by the Lender for all purposes hereof. In this regard, the parties hereto do hereby agree as follows:

- 3.6.1 all Bankers' Acceptances so signed, endorsed and completed on behalf of the Borrower by the Lender shall bind the Borrower as fully and effectually as if signed in the handwriting of and duly issued by the proper signing officers of the Borrower;
- 3.6.2 neither the Lender nor any of its directors, officers, employees or representatives shall be liable for any action taken or omitted to be taken by it or them under this Section, except for its or their own intentional or gross fault;
- 3.6.3 the Borrower shall pay upon demand to the Lender, the nominal amount of any form of Bankers' Acceptance, which on its face appears or purports to have been issued by the Borrower, was circulated fraudulently or without authority by any Person and which was subsequently presented to the Lender for payment and paid by the Lender and shall indemnify and hold harmless the Lender from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on or incurred by or asserted against the Lender in any way relating to, arising out of or resulting from the fraudulent, unauthorized or illegal issuance or use of such Bankers' Acceptance, it being understood that the Borrower shall have no obligation or liability under this subsection when any such event shall have occurred as a result of the Lender's intentional or gross fault or that of its directors, officers, employees or representatives. Following any such payment by such Borrower, any amount recovered by the Lender from a third party in connection with such Bankers' Acceptance shall be remitted to the Borrower by the Lender forthwith after deducting therefrom any amounts (including the reasonable costs and expenses incurred by the Lender in connection with such recovery) not otherwise paid by such Borrower; and
- 3.6.4 upon the request of the Borrower, the Lender shall cancel all of the forms of Bankers' Acceptances which shall have been signed, endorsed and completed by the Lender on behalf of the Borrower as hereinabove contemplated in this Section and which shall not as yet have been issued in accordance with such instructions of the Borrower, provided that under such circumstances, the Lender shall have no liability for failing to make any further requested advance, conversion or renewal by way of Bankers' Acceptances.

3.7 Waiver

The Borrower shall not claim from the Lender any days of grace for the payment at maturity of any Bankers' Acceptance presented to and accepted by the Lender pursuant to this Agreement. Furthermore, the Borrower hereby waives any defence to payment which might otherwise exist if for any reason a Bankers' Acceptance shall be held by the Lender in its own right at the maturity thereof.

3.8 Obligations Absolute

The obligations of the Borrower with respect to Bankers' Acceptances under this Section shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

- 3.8.1 any lack of validity or enforceability of any draft accepted by the Lender as a Bankers' Acceptance, except where such lack of validity or enforceability shall have resulted from the Lender's intentional or gross fault or that of its directors, officers, employees or representatives; or
- 3.8.2 the existence of any defence, right of action, right of compensation or set-off or claim of any nature whatsoever which the Borrower may at any time have or have had against the holder of a Bankers' Acceptance, the Lender that accepted such Bankers' Acceptance or any other Person, whether in connection with this Agreement or otherwise.

3.9 Availability

The availability of Bankers' Acceptances is subject to funds being available for such purpose in the Canadian money market; the Lender will notify the Borrower if Bankers' Acceptances cease to be so available as well as when availability resumes.

4. LETTERS OF CREDIT

4.1 Application

At least two (2) Business Days prior to the issue of any Letter of Credit, the Borrower shall execute a duly authorized application with respect to such Letter of Credit and each Letter of Credit shall be governed by the terms and conditions of the relevant application for such contract. If there is any inconsistency at any time between the terms of this Agreement and the terms of such application for such Letter of Credit, the terms of such application shall govern.

4.2 Availability

Letters of Credit will be issued for such transactions and on such terms and conditions as are mutually agreed upon between the applicable Borrower and the Lender and are not inconsistent with the provisions of this Article 4. Letters of Credit may only be for an aggregate amount outstanding at any time not exceeding \$5,000,000.

4.3 Term of Letters of Credit

No Letter of Credit may mature on a day that is not a Business Day or more than 365 days after the date of its issue. No Letter of Credit may be revoked prior to its expiry date unless the consent of the beneficiary of the Letter of Credit has been obtained.

4.4 Loans

Each Letter of Credit constitutes from the date of its issue an outstanding Loan under the Facility 1 in a principal amount equal to the maximum amount of the obligation of the Lender

thereunder. Each amount paid by the Lender under a Letter of Credit will constitute, as of the date of payment, a Prime Rate Loan under Facility 1.

4.5 Indemnity

Whether or not an Event of Default or a Default shall have occurred, the Borrower shall keep the Lender indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, costs, claims, demands, losses, liabilities, damages and reasonable expenses (including all reasonable legal fees) in any way relating to, arising out of, or incidental to a Letter of Credit issued hereunder.

4.6 Obligations Absolute

- 4.6.1 The obligations of the Borrower under this Section 4 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, compensation, counterclaim or defense to payment which the Borrower may have or have had against the Lender or any beneficiary of a Letter of Credit issued for the account of the Borrower.
- 4.6.2 The Borrower agrees with the Lender that the Lender shall not be responsible for, and the Borrower's obligations under this Section 4 shall not be affected by, among other things (a) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or (b) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (c) any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee, except that the Borrower reserves its right to subsequently assert claims against the Lender in case of the gross or intentional fault of the Lender.
- 4.6.3 The Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Lender's gross or intentional fault.
- 4.6.4 The Borrower agrees that any action taken or omitted by the Lender under or in connection with any Letter of Credit issued for the account of the Borrower or the related drafts or documents, if done in good faith in the absence of gross or intentional fault, shall be binding on the Borrower and shall not result in any liability of the Lender to the Borrower.

4.7 I.C.C. Rules

Unless otherwise provided in this Agreement or in any agreement relating to their issue, Letters of Credit are governed by the Uniform Customs and Practice for Documentary Credits (I.C.C. Publication 500, 1993 revision, I.C.C. No. 458 or I.C.C. Publication 590 as applicable).

5. FEES AND INTEREST

5.1 Arrangement Fees

The Borrower must pay an arrangement fee of \$64,000 to the Lender upon execution of this Agreement. Such fee shall be non-refundable, despite the fact that the Credit Facilities may not be disbursed, for any reason.

5.2 Costs and Expenses

The Borrower must pay within ten (10) days of the demand thereof the amount of all costs and expenses (including legal and other professional fees) incurred by the Lender in connection with the preparation, negotiation, execution and administration of the Loan Documents, as well as the costs and expenses incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Loan Document.

5.3 Standby Fee

The Borrower must pay to the Lender a standby fee on the unused portion of Facility 1. The standby fee will be calculated monthly at the Applicable Rate, will accrue daily on the unutilized and uncanceled portion of the amount of Facility 1 from and including the date on which all of the conditions for the initial advance of Facility 1 are met and will be payable monthly in arrears on the 26th day of each month.

5.4 Letter of Credit Fees

The Borrower must pay a fee for each Letter of Credit issued at its request. Letter of Credit fees are calculated at the Applicable Rate on the face amount of each Letter of Credit and on the basis of the number of days included in the period of same divided by 365 or 366 days, as the case may be, for each Letter of Credit issued under Facility 1, subject to a minimum of \$100.00. Any such fee must be paid to the Lender upon the issue (or any renewal) by it of the relevant Letter of Credit.

The Borrower must pay to the Lender administrative charges in connection with amendments to Letters of Credit at the rates and on the terms generally applicable to the other customers of the Lender.

5.5 Bankers' Acceptance Fees

Upon the issue of any Bankers' Acceptance, the Borrower must pay to the Lender a Bankers' Acceptance fee at the Applicable Rate. The acceptance fee will be calculated on the face amount of the applicable Bankers' Acceptance and for the number of days included in the period of same.

5.6 Interest on Prime Rate Loans

Interest on each Prime Rate Loan shall accrue at a rate per annum equal to the Applicable Margin plus the Prime Rate in effect from time to time during the period of time that the Prime Rate Loan is outstanding. Such interest shall be payable in Canadian Dollars monthly in arrears on the 26th day of each month and shall be calculated on the principal amount of the Prime Rate Loan on the basis of the actual number of days elapsed in a year of 365 or 366

days, as the case may be. Changes in the Prime Rate shall cause an automatic and immediate adjustment of the interest rate payable on Prime Rate Loans without the necessity of any notice to the Borrower.

5.7 Interest Act (Canada)

For the purposes of the Interest Act (Canada) only, the annual rate of interest equivalent to a rate otherwise calculated under this Agreement (and the Applicable Margin) is equal to the rate so calculated multiplied by the actual number of days included in a given year and divided by 365 days.

The Borrower shall not be obligated to pay any interest, fees or costs under or in connection with this Agreement in excess of what is permitted by Applicable Law.

5.8 Interest on Arrears

Any amount payable hereunder which is not paid when due, whether at stated maturity, upon acceleration or otherwise, will (unless interest is otherwise payable in respect thereof in accordance with the terms of this Agreement or the instrument or contract governing same) bear interest at the Prime Rate in effect from time to time increased by 5%. Interest on arrears is compounded monthly and is payable on demand.

6. REPAYMENTS AND ANNUAL REVIEW

6.1 Repayment

Loans under Facility 1 and Facility 3 are expected to revolve with operating requirements. Notwithstanding compliance with the covenants and all other terms and conditions of this Agreement, and regardless of the maturities of any outstanding instruments or contracts, the Loans under Facility 1 and Facility 3 are repayable on demand and the Lender may terminate Facility 1 and Facility 3 at any time, without notice or demand.

Upon demand or termination, the Borrower shall pay to the Lender all amounts outstanding under Facility 3 and all Loans outstanding under Facility 1 including, without limitation, an amount equal to the aggregate of the face amounts of all Bankers' Acceptances and Letters of Credit which are unmatured or unexpired, which amount shall be held by the Lender as security for the Borrower's obligations to the Lender in respect of such instruments or contracts. The Lender may enforce its rights to realize upon its Security and retain an amount sufficient to secure the Lender for the Borrower's obligations to the Lender in respect of such instruments or contracts.

6.2 Mandatory Payments

The Borrower must make such payments as may be necessary to ensure that the outstanding Loans under Facility 1 will not at any time exceed the lesser of (i) the maximum amount of the Facility 1, and (ii) the Borrowing Base.

6.3 No Set-off

All payments by the Borrower to the Lender shall be made without setoff, compensation, counterclaim or deduction of any kind.

6.4 Annual Review

The availability, terms and conditions of the Credit Facilities hereunder are subject to periodic review by the Lender, including without limitation, the annual review scheduled for May 30, 2015.

7. PLACE AND CURRENCY OF PAYMENT AND TAXES

7.1 Place of Payments

Unless otherwise specified, all payments to be made by the Borrower must be made to the Lender at its branch of account located at the address set out below its signature or using the account designated as such by the Lender. The Borrower authorizes and directs the Lender to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts payable by the Borrower to the Lender pursuant to this Agreement.

7.2 Time and Currency of Payments

Any payment that is due on a day that is not a Business Day may be made on the next Business Day but will bear interest until received in full. All payments must be made in funds which are immediately available on the date on which payment is due, before 1:00pm EST. Interest and fees payable under this Agreement are payable both before and after any or all of and an Event of Default, demand and judgement.

All amounts payable under this Agreement must be paid in Canadian Dollars.

7.3 Payments Net of Taxes

If, due to the application of any tax or levy, the Borrower is compelled by law to make any withholding or deduction in respect of any payment due or made by it, the Borrower must pay to the Lender such additional amount as may be necessary in order that the payment actually received by the Lender be equal to the payment which otherwise would have been received in the absence of such withholding or deduction (or any additional withholding or deduction). Without limitation, for greater certainty, the Borrower shall not be required to pay income or similar taxes of the Lender.

8. CONDITIONS PRECEDENT TO LOANS

8.1 Conditions Precedent to the Initial Loan

The Borrower may not obtain a Loan under the Credit Facilities until the following conditions precedent have been fulfilled to the satisfaction of the Lender:

8.1.1 This Agreement and all other Loan Documents (or counterparts thereof) shall have been executed by the Lender, the Borrower and the Guarantors parties thereto, and fully executed originals of such documents shall have been delivered to the Lender.

8.1.2 The Lender must have received, in form and substance satisfactory to it, each of the following documents:

- (a) certified copies of the organizational documents and by-laws of the Borrower and the Guarantors;
- (b) certificates of good standing in respect of the Borrower and the Guarantors in all relevant jurisdictions;
- (c) certified copies of resolutions authorizing the transactions contemplated in this Agreement and the other Loan Documents and of the documents attesting to the authenticity of the signatures of the Persons acting on behalf of the Borrower and the Guarantors;
- (d) certificates of officers of the Borrower and of each Guarantor attesting to various questions of fact, including the absence of Default, Event of Default and Adverse Material Change and confirming representations and warranties;
- (e) evidence of the registration or filing of the Security Documents required pursuant to Article 9 in all jurisdictions that the Lender may reasonably require;
- (f) certificates of insurance evidencing appropriate insurance coverage for the assets and undertakings of the Borrower, as required hereunder, and naming the Lender as additional beneficiary thereof;
- (g) the Borrowing Base report contemplated in Section 14.3;
- (h) the audited annual financial statements of the Borrower and each Guarantor for their respective fiscal years ended in 2013, and with respect to Borrower, showing no change with its in-house financial statements previously delivered to the Lender;
- (i) legal opinions addressed to the Lender from counsels to the Lender relating to the incorporation, capacity, authorization and due execution of this Agreement and of the other Loan Documents (other than the Hedging Contracts) with respect to Promec and the validity and enforceability of the Loan Documents (other than the Hedging Contracts and ISDA Master Agreement) as well as the registration of the Security Documents, attaching search reports at the relevant movable security registers;
- (j) legal opinions addressed to the Lender from counsels to the Borrower and Pacer with respect to incorporation, capacity, authorization and due execution of this Agreement and of the other Loan Documents (other than the Hedging Contracts); and
- (k) such other documents relative to the Loan Documents and the transactions contemplated therein as the Lender may reasonably require.

8.1.3 The representations and warranties contained in the Loan Documents shall be true on and as of the date of the applicable Loan with the same effect as if such representations and warranties had been made on and as of such date, and the Borrower shall have delivered to the Lender a certificate from one of its senior officers to such effect.

8.1.4 There shall exist no Default or Event of Default as of the date of the applicable Loan and the making of the applicable Loan would not result in the occurrence of a Default or Event of Default, and, without limitation, no Material Adverse Change shall have occurred since the date of the information provided by Borrower or Guarantors to the Lender, and the Borrower shall have delivered to the Lender a certificate from one of its senior officers to such effect.

8.1.5 All fees and expenses owing by the Borrower to the Lender at the time of execution of this Agreement must have been paid in full.

8.1.6 The Lender shall have performed and be satisfied with the results of a full due diligence review on the Borrower and the Guarantors covering, without limitation, the assets, the financial position, the corporate structure and organizational documents, material contracts, claims and laws suits, and backlog and work in progress.

8.2 Conditions Precedent to All Loans

The Borrower may not obtain any Loan under the Credit Facilities or convert or renew any Loan under the Credit Facilities unless:

8.2.1 to the extent required pursuant to the terms hereof, the Borrower has given a Drawdown Notice or Conversion Notice, as applicable;

8.2.2 all representations and warranties contained herein or in any other Loan Document are true and correct in all material respects as of the date that the relevant Loan is made, except for changes therein expressly permitted or expressly contemplated by this Agreement;

8.2.3 no Material Adverse Change has occurred since the date hereof as determined by the Lender in good faith;

8.2.4 no Default or Event of Default has occurred and is continuing or would result after giving effect to such Loan, conversion or renewal; and

8.2.5 after giving effect to any Loan, conversion or renewal, the outstanding principal amount of the Facility 1 would not exceed the Borrowing Base.

Each matter described in Sections 8.2.2, 8.2.3, 8.2.4 and 8.2.5 hereof shall be deemed to be certified by the Borrower as at the date that the relevant Loan is made.

8.3 Waiver of Conditions Precedent

The conditions precedent provided for in this Article are for the sole benefit of the Lender. The Lender may waive such conditions precedent, in whole or in part, with or without conditions, without prejudice to any other or future rights that it might have against the Borrower or any other Person.

9. SECURITY

9.1 Security for Credit Facilities

To secure the performance of the obligations of the Borrower under the Credit Facilities and the Loan Documents, the Borrower must provide in favour of the Lender in form and substance satisfactory to the Lender:

- 9.1.1 a movable hypothec in the amount of \$48,000,000 granted by Borrower in favour of the Lender creating a first-ranking Lien (subject to Permitted Liens) on the universality of the present and future movable property of the Borrower;
- 9.1.2 a general security agreement (Alberta) granted by Borrower in favour of the Lender creating a first-ranking Lien (subject to Permitted Liens) over all present and future personal property of the Borrower;
- 9.1.3 an intellectual property security agreement (Alberta) granted by Borrower in favour of Lender creating a first-ranking Lien (subject to Permitted Liens) over all intellectual property of the Borrower;
- 9.1.4 (i) a solidary guarantee by each of Promec and Pacer in favour of the Lender, to guarantee the obligations of the Borrower under this Agreement and the other Loan Documents to which it is a party, including, without limitation, the obligation of Pacer and Promec to cover any Borrowing Base deficit or any overdrafts by Borrower by paying the amount necessary to cover such deficit or overdraft by equity injection in the Borrower or Subordinated Debt, without the Bank having to declare a Default or Event of Default (ii) subordination and postponement undertakings by each of Promec and Pacer with respect to any and all amounts owed by the Borrower to it, whatsoever the nature, including, without limitation, the subordination and postponement of the redemption or purchase of any shares it holds in the Borrower, the whole for the benefit of the Lender, and (iii) solidary undertakings from each of Promec and Pacer to ensure that any amount received by Pacer Promec Joint Venture be paid to the Borrower directly.

9.2 Guarantees by Subsidiaries

Borrower shall cause each of its Subsidiaries, if any, within twenty (20) Business Days upon becoming a Subsidiary of the Borrower, to the extent permitted under Applicable Law, to (a) guarantee in favour of the Lender the performance of all obligations of the Borrower under this Agreement and the other Loan Documents by executing a guarantee agreement, and (b) provide in favour of the Lender a first-ranking hypothec (subject to Permitted Liens) over the universality of such Subsidiary's present and future movable property, and/or equivalent security in other applicable jurisdictions, in each case in form and substance satisfactory to the Lender. Any such guarantee and hypothec or other security shall be considered a "Security" and a "Loan Document" for the purposes hereof.

9.3 Validity of the Security and Contents of Security Documents

The Security must be registered and made opposable to third parties in all jurisdictions reasonably required by the Lender, as first-ranking Liens, except as otherwise contemplated herein, at all times with respect to all property intended to be covered thereby, subject however

to Permitted Liens. Each Security Document must be in form and substance satisfactory to the Lenders and remain valid and in force at all times.

10. REPRESENTATIONS AND WARRANTIES

The Borrower and each of the Guarantor, represents and warrants for itself, that:

10.1 Corporate Existence, Power and Capacity

It is a Person validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite corporate or other power necessary to own its assets and carry on its business as now being or as proposed to be conducted, and is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure to so qualify could have a Material Adverse Effect.

10.2 Financial Statements and Financial year

The financial statements of the Guarantors and the Borrower delivered to the Lender are complete and correct and fairly present the balance sheet and results of operations of each of them, all in accordance with GAAP (except as disclosed therein and except, with respect to unaudited financial statements, for the absence of footnotes and normal year-end audit, and quarter-end, adjustments). The financial year of the Borrower ends on December 31 of each year.

10.3 Litigation

Except as set forth in Schedule 10.3, there are no legal or arbitration proceedings, or any proceedings by or before any governmental or regulatory authority or agency, or any claim or investigation under Environmental Laws, or any labour disputes, now pending or, to the best of the knowledge of the Borrower, threatened against the Borrower or any of its properties or rights that, if adversely determined, could have a Material Adverse Effect.

10.4 No Breach

The execution and delivery of the Loan Documents and the performance by the Borrower and each Guarantor of their respective obligations thereunder do not, and will not conflict with, result in a breach of or require any consent or approval (other than those that have been obtained) under, (i) its organizational documents or by-laws, or (ii) to the extent that a breach of failure to obtain third party consent could have a Material Adverse Effect, any applicable law or regulation, or any order, injunction or judgment of any court or governmental or regulatory authority or agency, or any agreement or instrument to which it is a party or by which it or any of its property is bound.

The creation of the security pursuant to the Security Documents will not conflict with, result in a breach of, or require any consent (other than those that have been obtained) under any material agreement or instrument to which the Borrower or any Guarantor is a party or by which it or any of its property is bound.

10.5 Authorization and Validity

Each of the Borrower and Guarantors has all necessary corporate power, authority and legal right to execute, deliver and perform its obligations under the Loan Documents to which it is a party, has duly authorized by all necessary organizational action the execution, delivery and performance of its obligations under such Loan Documents and has duly and validly executed and delivered the Loan Documents to which it is a party. The obligations of the Borrower and each Guarantor under the Loan Documents to which it is a party constitute legal, valid and binding obligations, enforceable against such party in accordance with their terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights, and subject to such qualifications as are typically found in enforceability opinions in respect to loan and security documents governed by the laws respectively applicable to this Agreement and the other Loan Documents.

10.6 Taxes

The Borrower has filed all income tax returns and all other material tax returns and paid all Taxes and Potential Prior-Ranking Claims in the amounts that are required to be filed or paid by it, except where failure to do so could not have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower in respect of taxes and other governmental charges are adequate.

10.7 Compliance with Laws and Permits

Each of the Borrower and Guarantors is in compliance in all material respects with all Applicable Laws. Each of the Borrower and Guarantors holds all material permits, licenses, approvals, consents and other authorizations required under all Applicable Laws to own its assets and to carry on its business as now being or as proposed to be conducted or as previously conducted.

10.8 Environmental Matters

Except as set forth in Schedule 10.8, the business carried on and the property owned or used at any time by the Borrower and, to the knowledge of the Borrower, its predecessors (including the lands owned or occupied by it and the waters on or under such lands) have at all times been carried on, owned or used in compliance with all Environmental Laws applicable at all relevant times except where that failure to comply with Environmental Laws could not have a Material Adverse Effect. Except as set forth in Schedule 10.8, the Borrower is not subject to any proceedings alleging the violation of any Environmental Law, and no part of its business or property is the subject of any proceeding to evaluate whether remedial action is needed as a result of any Environmental Activity on any lands owned or occupied by it, and there are no circumstances that could reasonably be expected to give rise to any such proceedings or to any liability related to any Environmental Activity on any lands used in or related to its business or property on any lands on which it has disposed or arranged for the disposal of any materials arising from the business carried on by it, or regarding the violation of any Environmental Law by it or by any other person for which it is responsible, except where such proceedings or liability could not have a Material Adverse Effect. All Contaminants disposed of, treated or stored on lands owned or occupied by the Borrower have been disposed of, treated and stored in compliance with all Environmental Laws except where the failure to do so could not constitute a Material Adverse Effect. Except as set forth in Schedule 10.8, there are no proceedings and

there are no circumstances or material facts which could give rise to any proceeding in which it is or could be alleged that the Borrower is responsible for any domestic or foreign clean up or remediation of lands contaminated by Contaminants or for any other remedial or corrective action under any Environmental Laws, in each case, which could have a Material Adverse Effect.

10.9 Corporate Structure

10.9.1 Schedule 10.9 contains a complete and correct description of the corporate structure of the Borrower, and indicates (a) the jurisdiction of organization of each such party, (b) each Person holding ownership interests in such party, and (c) the nature of the ownership interests held by each such Person and the percentage of ownership of such party represented by such ownership interests. The Borrower is not engaged in any joint venture or partnership with any other Person.

10.9.2 All of the issued and outstanding shares of the Borrower were validly issued as fully paid and non-assessable shares in the Borrower's capital, are owned by each of the stockholders thereof, to the Borrower's knowledge, free and clear of any and all Liens. There are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which the Borrower may be required to issue, sell, repurchase or redeem any of its shares or other equity securities or any shares or other equity securities of its Subsidiaries.

10.10 Location of Offices and Names

Schedule 10.10 completely and accurately indicates (a) the location of the registered and chief executive offices, as well as all places of business of the Borrower, and (b) the exact name and all trade names used by the Borrower.

10.11 Pension Plans

All pension plans established by the Borrower for any of its employees are duly registered where required by, and in good standing under, all Applicable Laws, and all required contributions under such plans have been made and the respective pension funds are funded in accordance with the rules of the applicable pension plans and all Applicable Laws and no past service or experience deficiency funding liabilities exist thereunder.

10.12 Labour Matters

Except as set forth in Schedule 10.12, the Borrower is not a party to a collective bargaining or any other agreement with a union. There are no strikes, lockouts or slowdowns against the Borrower pending or, to the knowledge of the Borrower, threatened that could constitute a Material Adverse Change. The hours worked by and payments made to employees of the Borrower have not been in violation of any applicable federal, provincial, state, local or foreign law dealing with such matters. All payments due from the Borrower, or for which any claim may be made against the Borrower, on account of wages and employee health and welfare insurance, workers' compensation and other benefits, have been paid or accrued as a liability on its books.

10.13 Intellectual Property

The Borrower owns, or is licensed to use, free from material restrictions, all trademarks, service marks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower does not infringe upon the rights of any other person, except for any such infringements that, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

10.14 Insurance

The undertaking, property and assets of the Borrower are insured as provided for under Section 11.1.7.

10.15 No Material Adverse Change and No Default

Except as set forth in Schedule 10.15, there has been no Material Adverse Change between December 31, 2013 and the date of this Agreement. No Default or Event of Default has occurred and is continuing.

10.16 True and Complete Disclosure

The written (including electronic) information, reports, financial statements and documents furnished or to be furnished by or on behalf of the Borrower or Guarantors to the Lender in connection with the negotiation, preparation, execution, delivery or performance of the Loan Documents, do not and will not, as of the date furnished, contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, not misleading in light of the then current circumstances.

11. AFFIRMATIVE COVENANTS

11.1 General Covenants of the Borrower

The Borrower will:

- 11.1.1 *Legal Existence* – preserve and maintain its legal existence and all of its franchises, licenses, permits, rights, privileges, consents, approvals and regulatory approvals required for the operation of its business, the non preservation, obtaining or maintenance of which could reasonably be expected to result in a Material Adverse Change;
- 11.1.2 *Residence* – at all times remain a corporation resident in Canada within the meaning of the *Income Tax Act* (Canada);
- 11.1.3 *Conduct of Business* – conduct its business in a proper and efficient manner and consistent with past practices, keep proper books, records and accounts in accordance with GAAP; preserve, protect and obtain all intellectual property, the non preservation, protection or obtaining of which could reasonably be expected to result in a Material Adverse Change; and preserve and maintain, in good repair, working order and condition, all other properties used in the conduct of its business, the non preservation or maintenance of which could reasonably be expected to result in a Material Adverse Change;

- 11.1.4 *Legal Compliance* – comply with all Applicable Laws including but not limited to Environmental Laws, the non compliance with which could reasonably be expected to result in a Material Adverse Change;
- 11.1.5 *Payment of Taxes* – promptly pay and discharge all taxes, assessments, charges and levies, prior to the date on which penalties attach thereto, to the exception of such tax, assessment, charge or levy which (i) is not yet due or (ii) is being validly contested in good faith and by appropriate proceedings and provided adequate reserves with respect thereto are maintained on the books of the Borrower, in accordance with GAAP, and promptly pay and discharge, as they become due, all other Indebtedness and other liabilities;
- 11.1.6 *Government Filings* – make and maintain all filings required by any governmental or regulatory authority or agency unless the failure to do so could not constitute a Material Adverse Change;
- 11.1.7 *Insurance* – insure and maintain all of its assets (and those of the Subsidiaries) insured, in favour of the Lender, at their full replacement value against all loss or damage caused by theft, fire and any other risk with respect to which a prudent administrator would insure himself, by means of an all risks insurance policy (including floods and earthquakes) acceptable to the Lender, without co-insurance clause. The policies shall include extended coverage clauses to cover additional rebuilding costs which may result from the application of a regulation or order and to cover damage resulting from leaks in the fire protection system. The Borrower shall also maintain insurance, in favour of the Lender, covering a business interruption insurance for an amount enough to cover operating expenses for one year. These insurance policies shall be maintained with reputable insurers acceptable to the Lender. The Borrower shall name the Lender as beneficiary of the indemnities payable pursuant to these policies and the Borrower must designate this name on policies which shall in addition include (a) a standard hypothecary guarantee clause (or mortgage endorsement) approved by the Insurance Bureau of Canada, preventing the invalidation of the policies because of any reference contained in the insurance application or omitted therefrom or any act or negligence of the applicant and (b) provisions preventing their cancellation or amendment to the detriment of the Lender for any reason whatsoever including the failure to pay a premium required to renew a policy, unless this failure to pay, omission or other default has not been remedied within thirty (30) days following receipt by the Lender of a written notice of such default or omission.

The Borrower shall also maintain appropriate builder or contractor insurance with respect to which a prudent administrator would insure himself and in accordance with the relevant project contracts requirements.

Furthermore, the Borrower shall maintain civil liability insurance for an amount of at least \$2,000,000 per incident.

The Lender may in addition require such other future coverage that a prudent lender would reasonably require.

At least fifteen (15) days before expiry of a policy or before the due date of the payment for the next premium, the Borrower shall remit the renewal certificate and proof of payment of the premium for twelve (12) months to the Bank.

Should the Borrower fail to comply with the provisions of this Section, the Lender may, at the Borrower's expense, take out the insurance it shall deem appropriate;

- 11.1.8 *Access* – permit representatives of the Lender, from time to time during normal business hours and upon no more than two (2) Business Days' prior notice, to examine, copy and make extracts from its books, records or other information, to inspect any of its properties or assets, and to discuss its business and affairs with its officers, auditors, counsels and other professional advisors;
- 11.1.9 *Auditors* – have as auditors a major North American accounting firm acceptable to the Lender;
- 11.1.10 *Payment of Obligations* – pay, discharge or otherwise satisfy (i) at or before maturity or before it becomes delinquent, all Indebtedness owed to any Person including without limitation all Potential Prior-Ranking Claims, and (ii) in accordance with its usual business practices, all other liabilities of whatever nature, except in both cases when the amount or validity thereof is being contested and adequate reserves with respect thereto are maintained by the Borrowers in accordance with GAAP;
- 11.1.11 *Banking Activities* – transact and maintain all of the Borrower's banking activities with the Lender and deposit all revenues in the bank account opened by the Lender at the Lender's Branch of Account for management of the Facility 1.

11.2 Notices

The Borrower will provide prompt notice to the Lender of:

- 11.2.1 any Material Adverse Change, any other event, circumstance, act or omission which in any such case individually or in the aggregate has, or is reasonably likely to have, a Material Adverse Effect and any other Event of Default,;
- 11.2.2 any default by it under any Permitted Lien;
- 11.2.3 suit, litigation or other proceeding which is commenced or threatened against or by the Borrower for an amount in excess of \$1,000,000, it being understood that all such suits which currently exist are described on Schedule 10.3;
- 11.2.4 any matter (i) relating to compliance with Environmental Laws, or (ii) relating to the environment or any Environmental Activity and requiring or that may require that remedial or corrective action be taken by the Borrower under any Environmental Laws, unless same could not have a Material Adverse Effect;
- 11.2.5 any change whatsoever in its name or trade names or in the province of its registered or chief executive office;
- 11.2.6 the creation of any Subsidiary;
- 11.2.7 any loss or damage (in excess of \$1,000,000) to property and assets which are subject to the Security which gives rise to a claim under any insurance maintained by the Borrower.

11.3 Use of Proceeds

The Borrower will use the proceeds of the Credit Facilities only for the purposes permitted under this Agreement.

11.4 Further Assurances

The Borrower will, and will cause each of the Guarantors to, cooperate with the Lenders and execute such further instruments and documents as the Lender may reasonably request to carry out to their satisfaction the transactions contemplated by the Loan Documents.

11.5 Representations and Warranties

The Borrower will ensure that all representations and warranties made in this Agreement are true and correct as of the date hereof and at each time a certification in respect of these representations and warranties is delivered to the Lender (or is deemed to have been made in accordance with Section 8.2 hereof) unless before or at the time any such representation and warranty is made, the Borrower delivers to the Lender a written notice that such representation or warranty cannot be made and disclosing the reasons therefore, and the Lender consents thereto. At all other times, the Borrower will ensure that all representations and warranties made in this Agreement remain true and correct. The representations and warranties made in this Agreement shall survive the execution and delivery of the Loan Documents and the obtaining of Loans from time to time.

11.6 General Covenants of the Guarantors

Each of the Guarantor will:

11.6.1 *Legal Existence* – preserve and maintain its legal existence and all of its franchises, licenses, permits, rights, privileges, consents, approvals and regulatory approvals required for the operation of its business, the non preservation, obtaining or maintenance of which could reasonably be expected to result in a Material Adverse Change;

11.6.2 *Conduct of Business* – conduct its business in a proper and efficient manner and consistent with past practices, keep proper books, records and accounts in accordance with GAAP;

11.6.3 *Auditors* – have as auditors a qualified accounting firm acceptable to the Lender;

and none of the Guarantors will:

11.6.4 without the consent of the Lender, enter into any transaction of merger, amalgamation or consolidation or any other form of business combination with any other Person, or liquidate, wind up or dissolve itself (or suffer any liquidation, winding-up or dissolution or any proceedings therefor) or continue itself under the laws of any other statute or jurisdiction;

11.6.5 enter into any transaction giving effect to a prohibited change under Section 12.9;

- 11.6.6 carry on any business, directly or indirectly, other than the business currently carried on by it or similar businesses and activities ancillary or related thereto or take any action that would constitute a Material Adverse Change; or
- 11.6.7 amend any of its constating documents or by-laws or any documents related to any of them in a manner that would be prejudicial to the interests of the Lender or in conflict with any of the Loan Documents.

12. NEGATIVE COVENANTS

The Borrower covenants and agrees that:

12.1 Negative Pledge

It will not create, incur, assume or suffer to exist any Lien on its present and future property or assets except the Permitted Liens.

12.2 Indebtedness

It will not create, incur, assume, permit to exist, or otherwise become directly or indirectly liable for any Indebtedness other than:

- 12.2.1 Indebtedness to the Lender under the Loan Documents;
- 12.2.2 trade accounts payable, deferred Taxes and other accrued obligations incurred in the ordinary course of business;
- 12.2.3 Indebtedness permitted to be secured by Permitted Liens, it being understood that Indebtedness to be secured by Liens described under subsection 1.1.42(k) (definition of Permitted Liens) shall not exceed, in any financial year, \$7,000,000 in the aggregate; and
- 12.2.4 Subordinated Debt.

12.3 Limitations of Fundamental Changes

The Borrower will not, without the consent of the Lender:

- 12.3.1 enter into any transaction of merger, amalgamation or consolidation or any other form of business combination with any other Person, or liquidate, wind up or dissolve itself (or suffer any liquidation, winding-up or dissolution or any proceedings therefor) or continue itself under the laws of any other statute or jurisdiction;
- 12.3.2 make or allow to be made any Disposition other than (i) sales of inventory in the ordinary course of business; (ii) replacement of equipment in the ordinary course of business, and (iii) Dispositions of damaged or obsolete goods;
- 12.3.3 materially modify the operational, corporate or capital structure described in Schedule 10.9; or

12.3.4 carry on any business, directly or indirectly, other than the business currently carried on by it or similar businesses and activities ancillary or related thereto or take any action that would constitute a Material Adverse Change.

12.4 Investments, Acquisitions and Capital Expenditures

The Borrower will not, directly or indirectly:

12.4.1 except with the consent of the Lender, have any Subsidiary unless such Subsidiary is a wholly-owned Subsidiary incorporated under the federal or provincial laws of Canada with its registered and chief executive office in a province of Canada and in the same lines of business as the Borrower or in businesses ancillary or related thereto;

12.4.2 except as permitted by Section 12.7, make any material loan to any Person that is not a Subsidiary qualifying under the preceding paragraph;

12.4.3 make Acquisitions in an amount which, in the aggregate, in any financial year, would exceed \$1,000,000, provided that should a Default or an Event of Default be outstanding at the time of any Acquisition or if such Acquisition would likely create such a Default or Event of Default, no Acquisition shall be permitted;

12.4.4 make Capital Expenditures in an amount which, in the aggregate, in any financial year, would exceed \$7,000,000; provided that should a Default or an Event of Default be outstanding at the time of the making of any Capital Expenditure or if the making of such Capital Expenditure would likely create such a Default or Event of Default, no Capital Expenditure shall be permitted;

12.4.5 make any private or public tender offer for the shares or securities of another Person whose governing body has not approved such offer ("hostile take-over").

12.5 Amendments

The Borrower will not amend any of its constituting documents or by-laws or any documents related to any of them in a manner that would be prejudicial to the interests of the Lender or in conflict with any of the Loan Documents.

12.6 Restricted Payments and Distributions

The Borrower shall not, directly or indirectly, voluntarily purchase, redeem, defease, pay or prepay any principal of, premium, interest or other amount payable in respect of any Indebtedness, other than Indebtedness to the Lender under the Loan Documents and Indebtedness otherwise permitted hereunder (other than Subordinated Indebtedness), unless, in the latter case, doing so could cause or is likely to cause a Material Adverse Effect.

The Borrower shall be permitted to make Distributions which constitute repayment of Subordinated Indebtedness to its shareholders, provided that such Distribution is made effective as at the end of its fiscal year and :

12.6.1 at the time of such a Distribution, a Default or Event of Default shall not have occurred or be continuing and the making of such a Distribution is not likely to create, after giving effect to such a Distribution, a Material Adverse Change or a Default or Event of Default;

12.6.2 at the time of such a Distribution and after giving effect to such a Distribution, the Total Debt to Capitalization Ratio is lower than or equal to 60%;

12.6.3 the total amount Subordinated Debt due to all shareholders after giving effect to such Distribution is at least \$5,000,000 in principal;

12.6.4 the Shareholder's Equity is at least of \$20,000,000 both before and after giving effect to such Distribution;

all of which determinations and calculations of ratios to be based on the audited financial statements of the Borrower, a copy of which must also be delivered to the Lender, together with the compliance report mentioned in Section 14.1.1.

12.7 Financial Assistance and Investments

The Borrower will not provide any Financial Assistance to any Person, including shareholders and management, or make any Investments in any Person (other than the creation of Subsidiaries in accordance with the terms and conditions of this Agreement), other than in its normal course of business.

12.8 Transactions with Related Parties

The Borrower will not engage in any material transactions with any related party, including the Guarantors, on terms and conditions less favourable in any material respect to it than those that could be obtained on an arm's length basis from unrelated third parties. For the purposes of this Section 12.8, (i) related party means, with respect to a Person, another Person that Controls or is Controlled by or is under common Control with the relevant Person, and (ii) the definition of Control must be read replacing 51% by 20%.

12.9 Change of Control

The Borrower will not permit any change in the ownership of its securities that would result in (i) Promec owning less than 40% of (a) the issued and outstanding shares of the Borrower or (b) the voting rights attached to all of the issued and outstanding shares of the Borrower, (ii) Pacer owning less than 40% of (a) the issued and outstanding shares of the Borrower or (b) the voting rights attached to all of the issued and outstanding shares of the Borrower, and (iii) Pacer and Promec together, owning less than 100% of (a) the issued and outstanding shares of the Borrower or (b) the voting rights attached to all of the issued and outstanding shares of the Borrower.

12.10 Change of Location

12.10.1 The Borrower will not, without the consent of the Lender, (i) move any of its material tangible assets outside of the Provinces of Québec or Alberta, as the case may be; or (ii) change the location of the registered or chief executive offices to a location outside of the Province of Québec or Alberta.

13. FINANCIAL COVENANTS

13.1 Financial Ratios

The Borrower must maintain, on a consolidated basis (if applicable), on the last day of each financial quarter:

- 13.1.1 a maximum Total Debt to Capitalization Ratio of less than 70% until June 30, 2015 and of less than 60% on July 1, 2015 and at all times thereafter;
- 13.1.2 on a rolling four (4) quarter basis, a Fixed Charge Coverage Ratio of at least 1.75:1.00
- 13.1.3 a Current Ratio of at least 1.15:1.00

14. REPORTING REQUIREMENTS

14.1 Annual Reporting

14.1.1 The Borrower will deliver and cause to be delivered to the Lender, as soon as available and:

- (a) in any event, within 120 days after the end of each financial year of the Borrower, the audited annual financial statements of the Borrower, on a consolidated (if applicable) basis, audited by a major North American accounting firm acceptable to the Lender;
- (b) in any event, within 120 days after the end of each financial year of the Borrower, a compliance certificate relating to the covenants herein including, without limitation, the financial covenants set forth in Article 13 and the determinations and calculations referred to in Section 12.6, in the form of Schedule 14.1.1 (with sufficient details to reconcile the financial statements with the calculation base of financial covenants);
- (c) in any event, within 120 days after the end of each financial year of the Borrower, an annual financial forecast (including without limitation an income statement, cash flow statement, balance sheet, an estimate of after-tax profits and a pro-forma calculation of the applicable financial ratios set forth in Article 13 hereof) of the Borrower, the whole on a consolidated (if applicable) basis, the whole prepared on a quarterly basis for the current financial year.
- (d) in any event, within 120 days after the end of each financial year of each of Promec and Pacer, their audited annual financial statements, on a consolidated basis for Pacer and non-consolidated basis or Promec, audited by a major North American accounting firm acceptable to the Lender;

14.2 Quarterly Reporting

14.2.1 The Borrower will deliver and cause to be delivered to the Lender, as soon as available and,;

- (a) in any event, within 45 days after the end of each financial quarter of the Borrower, the non-audited financial statements of the Borrower, on a consolidated (if applicable) basis, for the relevant quarter;
- (b) in any event, within 45 days after the end of each financial quarter of the Borrower (except for the fourth quarter), a compliance certificate relating to the covenants herein including, without limitation, the financial covenants set forth in Article 13, in the form of Schedule 14.1.1 (with sufficient details to reconcile the financial statements with the calculation base of financial covenants);
- (c) in any event, within 45 days after the end of each financial quarter of each of Promec and Pacer, their non-audited financial statements for the relevant quarter, on a consolidated basis for Pacer and non-consolidated basis for Promec.

14.3 Monthly Reporting

The Borrower will deliver to the Lender, as soon as possible and, in any event, within thirty (30) days after the end of each month, (i) an aged list of accounts receivable and accounts payable, (ii) the amount of all Potential Prior-Ranking Claims (iii) a list of work in progress and of backlog work, in the form submitted by the Lender (or equivalent thereto) and (iv) a report on the Borrowing Base in the form of Schedule 14.3.

14.4 Periodic Reporting

The Borrower will promptly deliver to the Lender any auditor letter highlighting issues or deficiencies that, if not addressed or corrected, could result in a Material Adverse Change. The Borrower will also furnish to the Lender all information, documents and records and allow any enquiry, study, audit or inspection that the Lender may reasonably request in connection with the business, financial condition, property, assets or prospects of the Borrower, or to verify compliance with the obligations of any of the Borrower under any Loan Document.

14.5 Review

The Lender may conduct periodic reviews of the affairs of the Borrower and the Guarantors, as and when determined by the Lender, for the purpose of evaluating their financial condition. The Borrower shall make available to the Lender such financial statements and other information and documentation as the Lender may reasonably require and shall do all things reasonably necessary to facilitate such review by the Lender.

15. EVENTS OF DEFAULT AND REMEDIES

The occurrence of one or more of the following events constitutes an event of default (an "Event of Default") under the Loan Documents:

- 15.1.1 the Borrower defaults in the payment when due of any amount owing under a Loan Document in respect of principal, or defaults in the payment of any interest, fees or other amount owing under a Loan Document and such default is not cured within three (3) Business Days of notice thereof to the Borrower;

- 15.1.2 the Borrower defaults under the terms of any other Indebtedness where such Indebtedness is of an amount exceeding \$500,000 or where such default entitles the creditor thereof to realize its security on all or a substantial or material portion of the assets of the Borrower, and such default continues after the applicable notice or grace period, if any;
- 15.1.3 a Guarantor defaults under the terms of any Indebtedness where such Indebtedness is of an amount exceeding \$1,000,000 or where such default entitles the creditor thereof to realize its security on all or a substantial or material portion of the assets of such Guarantor, and such default continues after the applicable notice or grace period, if any;
- 15.1.4 any representation, warranty or certification made or deemed made by the Borrower or a Guarantor in any Loan Document proves to be false or misleading as of the time made or deemed to be made in any material respect;
- 15.1.5 subject to paragraph 15.1.10 above, the Borrower or a Guarantor fails or neglects to perform, keep or observe any of the covenants contained in Articles 9, 11, 12 or 13;
- 15.1.6 the Borrower or a Guarantor becomes unable to pay its debts generally as such debts become due or is adjudicated or admits to being bankrupt or insolvent;
- 15.1.7 the Borrower or a Guarantor (i) applies for or consents to the appointment of a receiver, or trustee of itself or of all or a substantial part of its property or assets, (ii) makes a general assignment for the benefit of its creditors, (iii) takes advantage of any law relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding-up, or (iv) takes any action for the purpose of effecting any of the foregoing;
- 15.1.8 a proceeding is commenced against the Borrower or a Guarantor in any jurisdiction seeking (i) its bankruptcy, reorganization, liquidation, dissolution, arrangement or winding-up, or similar relief, (ii) the appointment of a receiver, trustee or the like of all or any substantial part of its property, or (iii) the seizure or the attachment of or similar process issued or levied against any part of its property having a value of more than \$500,000; and in each case of any such proceeding or appointment, the same is not contested, or if contested, the effect thereof has not been stayed within 20 days thereafter;
- 15.1.9 a proceeding is commenced, a notice of intention is filed (including, without limitation, a prior notice of exercise of a hypothecary recourse) or any other enforcement action is taken by any Person against the Borrower or a Guarantor in any jurisdiction seeking the possession, foreclosure or retention, or sale or other disposition of, or enforcement over, any part of the property of the Borrower or a Guarantor a value of more than \$500,000, and such proceeding is not, within twenty (20) days after commencement thereof, or such shorter period as would permit such assets to be sold thereunder, discharged or contested in good faith by the Borrower or such Guarantor.
- 15.1.10 the Borrower or a Guarantor defaults in the performance of any of its other obligations under a Loan Document and such default continues unremedied for a period of ten (10) Business Days or more after written notice by the Lender to the Borrower; or
- 15.1.11 there is, in the opinion of the Lender, a Material Adverse Change.

15.2 Remedies

If an Event of Default occurs and is continuing, the Lender may, on giving written notice to the Borrower, terminate the right of the Borrower to use the Credit Facilities, declare all indebtedness of the Borrower under the Loan Documents to be immediately payable and demand immediate payment of the whole or part thereof, and exercise all of the rights and remedies of the Lender including its rights and remedies under any Loan Document.

Upon receipt of such written notice, the Borrower shall immediately pay to the Lender all Loans outstanding under the Credit Facilities and all other obligations of the Borrower to the Lender in connection with the Credit Facilities under this Agreement including, without limitation, an amount equal to the aggregate of the face amounts of all Bankers' Acceptances and Letters of Credit which are unmatured or unexpired, which amount shall be held by the Lender as security for the Borrower's obligations to the Lender in respect of such instruments or contracts. The Lender may enforce its rights to realize upon its security and retain an amount sufficient to secure the Lender for the Borrower's obligations to the Lender in respect of such contracts or instruments.

Nothing contained in the foregoing Events of Default section shall limit any right of the Lender under this Agreement to terminate or demand payment of, or cancel or restrict availability of any unused portion of, any demand or other discretionary facility made available under this Agreement.

16. MISCELLANEOUS

16.1 Books and Accounts

The Lender will keep books and accounts evidencing the transactions made pursuant to this Agreement. The Lender shall record the principal amount of each Loan, the payment of principal and interest and all other amounts becoming due to the Lender under this Agreement. Absent manifest error, such books and accounts will be deemed to represent accurately such transactions and the indebtedness of the Borrower under the Credit Facilities.

16.2 Determination

In the absence of manifest error, any determination made by the Lender of the amounts payable hereunder will be conclusive and binding upon the Lender and the Borrower.

16.3 Assignments and Participations

16.3.1 The Borrower may not assign its rights, or the amounts to be received by it, under this Agreement.

16.3.2 The Lender may assign its rights and obligations hereunder (including outstanding Loans owing to it) to any financial institution provided that, unless an Event of Default has occurred and is continuing, it obtains the prior written consent of the Borrower, which consent shall not be unreasonably withheld or denied. When the assignment becomes effective, the assignee will become a lender hereunder and will benefit from the rights and be liable for the obligations of the assigning Lender, proportionally to the assigned Loans, and, to the same extent, the assigning Lender will be released from its obligations.

16.3.3 No assignment or participation may increase for the Borrower the costs of the Loans pursuant to Section 7.3.

16.3.4 The Lender may disclose to potential or actual assignees any confidential information concerning the Borrower in its possession, provided that, unless an Event of Default has occurred and is continuing, it obtains the prior written consent of the Borrower, which consent shall not be unreasonably withheld or denied, the whole without liability to the Borrower for such disclosure or the results thereof.

16.4 Amendments and Waivers

No amendment or waiver of any provision of this Agreement will be effective unless it is in writing signed by the Borrower and the Lender. No failure or delay, on the part of the Lender, in exercising any right or power hereunder or under any Security Document shall operate as a waiver thereof.

16.5 Set-off

The Lender is authorized, but not obligated, at any time, to apply any credit balance, whether or not then due, to which the Borrower is entitled on any account in any currency at any branch or office of the Lender in or towards satisfaction of the obligations of the Borrower due to the Lender under this Agreement. The Lender is authorized to use any such credit balance to buy such other currencies as may be necessary to effect such application.

16.6 Indemnification

16.6.1 If any law, regulation, administrative decision or guideline or decision of a court (i) increases the cost of the Credit Facilities for the Lender or (ii) reduces the income receivable by the Lender from the Credit Facilities (including, without limitation, by reason of the imposition of reserves, taxes or requirements as to the capital adequacy of the Lender but in no event by reason of taxes on the overall net income of the Lender), the Lender may send to the Borrower a statement indicating the amount of such additional cost or reduction of income; in the absence of manifest error, this statement shall be conclusive evidence of the amount of such additional cost or reduction of income and the Borrower must pay forthwith said amount to the Lender.

16.6.2 The Borrower must pay on demand the amount of any loss suffered by the Lender as a result of the conversion or repayment of a Loan before the maturity date of its period, irrespective of the cause of such conversion or repayment (including a repayment resulting from a demand for payment after the occurrence of an Event of Default). In the absence of manifest error, a statement prepared by the Lender indicating the amount of such loss and the method by which the loss was calculated will be binding and conclusive.

16.6.3 The Borrower must indemnify the Lender, its respective directors, officers, employees, attorneys, agents and controlling persons (each an "Indemnified Person") from and against any loss, liability, cost or expense (including costs of any investigation, cleanup, removal or other similar action, damages of any kind, settlement costs and legal and other professional fees) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of the evaluation, negotiation or documenting of the transactions contemplated by the Loan Documents or as the result of credit having been

extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith or of the non-compliance by the Borrower with any Environmental Laws or any claim under Environmental Laws in connection with the operations of, or any property owned or operated by, the Borrower, or as a result of an Environmental Activity.

16.7 Enurement

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

16.8 Severability

If any provision of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor invalidate, affect or impair any of the remaining provisions of this Agreement.

16.9 Solidary

Where more than one Person is liable for any obligation under this Agreement, then the liability of each such Person for such obligation is solidary (joint and several) with each other such Person.

16.10 Time of Essence and Obligations Absolute

The mere lapse of time fixed for performing an obligation hereunder shall have the effect of putting the Borrower in default thereof. The obligations of the Borrower hereunder shall not be reduced, limited or cancelled pursuant to the occurrence of any event of *force majeure*, the Borrower expressly assuming the risk of superior force.

16.11 Inconsistency

In the event of inconsistency between this Agreement and any other Loan Document, the provisions of this Agreement must be accorded precedence.

16.12 Language

The parties acknowledge that they have requested that this Agreement and all ancillary documents be drawn up in the English language. *Les parties reconnaissent avoir exigé que cette convention ainsi que tous les documents y afférents soient rédigés en anglais seulement.*

17. NOTICES

Unless otherwise provided, any notice to be given to a party in connection with this Agreement will be given in writing and will be given by personal delivery, by a reputable delivery service or by telecopier, addressed to the recipient at its address specified under its signature or such other address as may be notified by such party to the others pursuant to this Article.

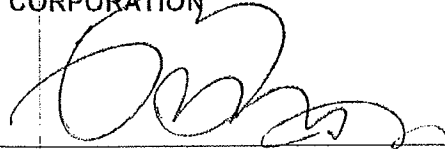
Any notice given by personal delivery or by a delivery service will be conclusively deemed to have been given at the time of such delivery and, if given by telecopier, on the day of transmittal if before 3:00 p.m. on a Business Day, or on the following Business Day if such transmission occurs on a day which is not a Business Day or after 3:00 p.m. on a Business Day. If the telecopy suffers any interruptions by way of a strike, slow-down, a *force majeure*, or any other cause, a party giving a notice must do so using another means of communication not affected by the disruption.

[signature page follows]

IN WITNESS WHEREOF the parties have caused this Agreement to be duly executed as of the date and year first above written.

PACER PROMEC ENERGY CORPORATION

Per:



Richard Pelletier, President

Address: 200, 1040 – 7th Avenue SW
Calgary, Alberta T2P 3G3

Attention: President

Telecopier: 587 352-5257

CONSTRUCTION PROMEC INC.

Per:

Peter Capkun, President

Per:

Denis René, Secretary

Address: 346 Aimé-Vincent
Vaudreuil Québec J7V 5V5

Attention: Vice-President, Operations

Telecopier: 450 510-9501

**This is EXHIBIT "C" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



250014421728

PACER PROMEC ENERGY CORPORATION

as Obligor

and

NATIONAL BANK OF CANADA

as Secured Party

SECURITY AGREEMENT

May 23, 2014

SECURITY AGREEMENT

Security Agreement dated as of May 23, 2014 (the "**Agreement**") made by Pacer Promec Energy Corporation (the "**Obligor**"), to and in favour of National Bank of Canada (the "**Secured Party**").

WHEREAS, pursuant to, and subject to the terms and conditions of, a Credit Agreement dated as of the date hereof (as amended, supplemented or restated from time to time, the "**Credit Agreement**") among the Obligor, as borrower, Construction Promec Inc. and Pacer Construction Holdings Corporation, as guarantors, and the Secured Party, as lender, the Lender has agreed to extend to the Obligor certain credit facilities, the whole as more fully described in the Credit Agreement;

AND WHEREAS, the obligations of the Secured Party to make available such credit facilities pursuant to the Credit Agreement are conditioned upon the execution and delivery by the Obligor of a security agreement in favour of the Secured Party, in the form hereof, to secure all of the Obligations;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

"**Agreement**" means this security agreement as may be amended, supplemented or otherwise modified from time to time.

"**Collateral**" has the meaning specified in Section 2.1 of this Agreement.

"**Credit Agreement**" shall have the meaning attributed to such term in the Preamble of this Agreement.

"**Instruments**" means (i) a bill, note or cheque within the meaning of the *Bills of Exchange Act* (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or (ii) a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder, or (iii) chattel paper or any other writing that evidences both a monetary obligation and a security interest in or a lease of specific goods, or (iv) documents of title or any other writing that purports to be issued by or addressed to a bailee and purports to cover such goods in the bailee's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the Person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers, or (v) any document or writing commonly known as an instrument, but excludes investment property.

"**Intellectual Property**" means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and nonpublic business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications

for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) designs, design registrations, design registration applications and integrated circuit topographies; (vi) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, service marks, certification marks, trade dress, logos, applications, registrations and renewals for any of the foregoing and the goodwill connected with the use of and symbolized by any of the foregoing; (vii) computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs; (viii) any other intellectual property and industrial property; (ix) income, fees, royalties, damages, claims and payments for past, present, or future infringements, dilutions or other violations thereof; (x) rights corresponding thereto throughout the world; and (xi) rights to sue for past, present or future infringements, dilutions or other violations thereof.

“Lien” means:

- (a) a lien, charge, mortgage, deed of trust, pledge, security interest or conditional sale or title retention agreement in the nature of security which secures payment or performance of an obligation;
- (b) an assignment, lease, consignment, deposits, trust or deemed trust that secures payment or performance of an obligation;
- (c) a garnishment; and
- (d) any other encumbrance of any kind in the nature of security which secures payment or performance of an obligation.

“Obligations” means all of the Obligor’s obligations, direct or indirect, incurred towards the Lender (whether such obligations result from a loan, line of credit or any other agreement which may result in advances of monies, overdraft facilities or protection, issuance of letters guarantees, letters of credit, bills of exchange or any other financial advantage whatsoever which may be procured by the Lender) pursuant to, under, or arising from, the Loan Documents, as such obligations are, from time to time, modified, extended or renewed.

“Obligor” shall have the meaning attributed to such term in the Preamble of this Agreement.

“PPSA” means the *Personal Property Security Act* (Alberta) and the regulations promulgated thereunder and other applicable personal property security legislation of the applicable Canadian province or provinces (including the Civil Code of Quebec and the regulations respecting the register of personal and movable real rights promulgated thereunder) as all such legislation now exists or may from time to time hereafter be amended, modified, recodified, supplemented or replaced, together with all rules, regulations and interpretations thereunder or related thereto.

“Restricted Asset” has the meaning specified in Section 2.4(1) of this Agreement.

“Secured Party” shall have the meaning attributed to such term in the Preamble of this Agreement.

“Secured Obligations” has the meaning specified in Section 2.2 of this Agreement.

“Securities” means securities as defined in the *Securities Transfer Act* (Alberta).

"Security Interest" has the meaning specified in Section 2.2

Section 1.2 Interpretation.

- (1) Capitalized terms used in this Agreement but not defined have the meanings given to them in the Credit Agreement. Terms defined in the PPSA and the *Securities Transfer Act* (Alberta) ("STA") and used but not otherwise defined in this Agreement have the same meanings. For greater certainty, the terms "account", "chattel paper", "document of title", "equipment", "goods", "instrument", "intangible", "investment property", "money", "personal property" and "proceeds" have the meanings given to them in the PPSA; and the terms "certificated security", "control", "delivery", "entitlement holder", "financial asset", "securities account", "securities intermediary", "security entitlement" and "uncertificated security" have the meanings given to them in the STA or the PPSA as applicable.
- (2) The rules of interpretation specified the Credit Agreement shall be applicable to this Agreement.

ARTICLE 2 ARTICLE 2 SECURITY

Section 2.1 Grant of Security.

- (1) Subject to Section 2.4 and Section 2.5, the Obligor grants to the Secured Party a security interest in, and assigns, mortgages, charges, hypothecates and pledges to the Secured Party all of the property, assets, effects and undertaking of the Obligor whether now owned or hereafter acquired and all of the property, assets, effects and undertaking in which the Obligor now has or hereafter acquires any interest (collectively, the "Personal Property Collateral"), including all of the Obligor's:
 - (a) present and after-acquired personal property including:
 - (i) inventory including goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, goods used in or procured for packing and materials used or consumed in the businesses of the Obligor;
 - (ii) equipment, machinery, furniture, fixtures, plant, vehicles and other goods of every kind and description and all licences and other rights and all related records, files, charts, plans, drawings, specifications, manuals and documents;
 - (iii) accounts due or accruing and all related agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating to them;
 - (iv) money, documents of title, chattel paper, financial assets and investment property;
 - (v) security accounts and all of the credit balances, securities entitlements, other financial assets and items or property (or their value) standing to the credit from time to time in such securities accounts;
 - (vi) Instruments and Securities; and

- (vii) intangibles including all security interests, goodwill, choses in action, contracts, contract rights, licenses and other contractual benefits;
 - (b) Intellectual Property;
 - (c) all substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in Section 2.1(a) and Section 2.1(b); and
 - (d) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Section 2.1(a) and Section 2.1(c) inclusive, including the proceeds of such proceeds.
- (2) Subject to Section 2.4 and Section 2.5, the Obligor hereby charges as and by way of a floating charge in favour of the Secured Party all the presently owned or held and hereafter acquired property, assets, effects and undertaking of the Obligor of whatsoever nature and kind and wheresoever situate, other than such of the Obligor's property, assets, effects and undertakings of the Obligor as are validly and effectively subjected to the security interest granted to the Secured Party pursuant to Section 2.1(1) (all of which property, assets, effects and undertakings so charged by this Section 2.1(2) are herein collectively called the "Other Collateral", and together with the Personal Property Collateral the "Collateral") including, without limiting the generality of the foregoing, all presently owned or held and hereafter acquired right, title and interest of the Obligor in and to real and immovable and leasehold property and rights whether in fee or of a less estate and all interest in and rights relating to lands and all easements, rights of way, privilege, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held and all structures, buildings, plant, machinery, fixtures, apparatus and fixed assets and the charge created by this Section 2.1(2) shall be a floating charge such that the Obligor shall not have power without the prior written consent of the Secured Party to:
- (a) create or permit to exist any Lien against any of the Other Collateral which ranks or could in any event rank in priority to or *pari passu* with the security interest constituted by this Agreement, save and except as permitted in accordance with the Credit Agreement; or
 - (b) grant, sell, exchange, transfer, assign, lease or otherwise dispose of the Other Collateral, save and except as permitted in accordance with the Credit Agreement.

Section 2.2 Secured Obligations.

The security interests, assignments, mortgages, charges, hypothecations and pledges granted by the Obligor under this Agreement (collectively, the "Security Interest") secure the payment and performance of the following (collectively, the "Secured Obligations"):

- (a) the Obligations of the Obligor; and
- (b) all expenses, costs and charges incurred by or on behalf of the Secured Parties in connection with this Agreement, the Security Interest or the Collateral, including all reasonable legal fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment for the Collateral, and of taking, defending or participating in any action or proceeding in

connection with any of the foregoing matters or otherwise in connection with the Secured Party's interest in any Collateral, whether or not directly relating to the enforcement of this Agreement or any other Loan Document.

Section 2.3 Attachment.

The Obligor acknowledges that (i) value has been given, (ii) it has rights in the applicable Collateral or the power to transfer rights in the Collateral to the Secured Party (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a copy of this Agreement.

Section 2.4 Scope of Security Interest.

- (1) To the extent that an assignment of amounts payable and other proceeds arising under or in connection with, or the grant of a security interest in any agreement, licence, lease, permit, instrument or quota of the Obligor would constitute a default under, or a breach of, or would result in the termination of, such agreement, licence, lease, permit, instrument or quota (each, a "Restricted Asset"), the Security Interest with respect to each Restricted Asset will constitute a trust created in favour of the Secured Party pursuant to which the Obligor holds as trustee all proceeds arising under or in connection with the Restricted Asset in trust for the Secured Party on the following basis:
 - (a) subject to the Credit Agreement, until the Security Interest is enforceable, the Obligor is entitled to receive all such proceeds; and
 - (b) whenever the Security Interest is enforceable, (i) all rights of the Obligor to receive such proceeds cease and all such proceeds will be immediately paid over to the Secured Party and (ii) the Obligor will take all actions requested by the Secured Party to collect and enforce payment and other rights arising under the Restricted Asset.
- (2) The Security Interest with respect to trademarks constitutes a security interest in, and a charge, hypothecation and pledge of such Collateral in favour of the Secured Party, but does not constitute an assignment or mortgage of such Collateral to the Secured Party.
- (3) Until the Security Interest is enforceable, the grant of the Security Interest in the Intellectual Property does not affect in any way the Obligor's rights to commercially exploit the Intellectual Property, defend it, enforce the Obligor's rights in it or with respect to it against third parties in any court or claim and be entitled to receive any damages with respect to any infringement of it.
- (4) The Security Interest does not extend to consumer goods.
- (5) The Security Interest does not extend or apply to the last day of the term of any lease or sublease of real property or any agreement for a lease or sublease of real property, now held or hereafter acquired by the Obligor, but the Obligor will stand possessed of any such last day upon trust to assign and dispose of it as the Secured Party may reasonably direct.

Section 2.5 No Control Agreements.

Notwithstanding anything to the contrary herein, in no event shall the Obligor or any Subsidiary thereof be required to execute control agreements to perfect the Security Interests granted hereunder,

including in (i) any deposit, commodity or securities account (including, without limitation, securities entitlements and related assets) or (ii) other assets requiring perfection through control.

Section 2.6 Grant of Licence to Use Intellectual Property.

For the purpose of enabling the Secured Party, during an Event of Default, to exercise rights and remedies hereunder, and for no other purposes, the Obligor hereby grants to the Secured Party an irrevocable, non-exclusive license, (exercisable without payments of royalty or other compensation to the Obligor) to use, assign, license or sub-license any of the Collateral of the Obligor consisting of Intellectual Property in which the Obligor now has or hereafter acquires rights, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The Secured Party covenants and agrees that it will not exercise its rights under the foregoing license except during the time that it shall be lawfully entitled to exercise its rights and remedies hereunder.

Section 2.7 Care and Custody of Collateral.

- (1) The Secured Party shall keep the Collateral in its possession identifiable in accordance with its customary practice for the Collateral of such type.
- (2) Without limiting any other rights or remedies under this Agreement, the Secured Party may upon the occurrence of an Event of Default, (i) notify any Person obligated on an Instrument, Security or account to make payments to the Secured Party, whether or not the Obligor was previously making collections on such accounts, chattel paper, instruments, and (ii) assume control of any proceeds arising from the Collateral.
- (3) The Secured Party has no obligation to collect dividends, distributions or interest payable on, or exercise any option or right in connection with, any Collateral. The Secured Party has no obligation to protect or preserve any Collateral from depreciating in value or becoming worthless and is released from all responsibility for any loss of value. In the physical keeping of any Securities, the Secured Party is only obliged to exercise the same degree of care as it would exercise with respect to its own Securities kept at the same place.
- (4) The Secured Party may, upon the occurrence of any Event of Default, sell, transfer, use or otherwise deal with any investment property included in the Collateral over which the Secured Party has control, on such conditions and in such manner as the Secured Party in its sole discretion may determine.

Section 2.8 Rights of the Obligor.

- (1) Until the occurrence of an Event of Default, the Obligor is entitled to vote the Securities and other financial assets that are part of the Collateral and to receive dividends and distributions on such Securities and financial assets, as may be permitted by the Credit Agreement. Upon the occurrence of an Event of Default, all rights of the Obligor to vote (under any proxy given by the Secured Party (or its nominee) or otherwise) or to receive distributions or dividends cease and all such rights become vested solely and absolutely in the Secured Party.
- (2) Any distributions or dividends received by the Obligor contrary to Section 2.8(1) or any other moneys or property received by the Obligor after the Security Interest is enforceable will be received as trustee for the Secured Party and shall be immediately paid over to the Secured Party.

**ARTICLE 3
ENFORCEMENT**

Section 3.1 Enforcement.

The Security Interest becomes and is enforceable against the Obligor upon the occurrence of an Event of Default.

Section 3.2 Remedies.

Whenever the Security Interest is enforceable, the Secured Party may realize upon the Collateral and enforce the rights of the Secured Party by:

- (a) entry onto any premises where Collateral consisting of tangible personal property may be located;
- (b) entry into possession of the Collateral by any method permitted by law;
- (c) sale, grant of options to purchase, or lease of all or any part of the Collateral;
- (d) holding, storing and keeping idle or operating all or any part of the Collateral;
- (e) exercising and enforcing all rights and remedies of a holder of the Collateral as if the Secured Party were the absolute owner thereof (including, if necessary, causing the Collateral to be registered in the name of the Secured Party or its nominee if not already done);
- (f) collection of any proceeds arising in respect of the Collateral;
- (g) collection, realization or sale of, or other dealing with, accounts;
- (h) license or sublicense, whether on an exclusive or nonexclusive basis, of any Intellectual Property for such term and on such conditions and in such manner as the Secured Party in its sole judgment determines (taking into account such provisions as may be necessary to protect and preserve such Intellectual Property);
- (i) instruction to any bank to transfer all moneys constituting Collateral held by such bank to an account maintained with or by the Secured Party;
- (j) application of any moneys constituting Collateral or proceeds thereof in accordance with this Agreement;
- (k) appointment by instrument in writing of a receiver (which term as used in this Agreement includes a receiver and manager) or agent of all or any part of the Collateral and removal or replacement from time to time of any receiver or agent;
- (l) institution of proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;

- (m) institution of proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;
- (n) filing of proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Obligor; and
- (o) any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.

Section 3.3 Additional Rights.

In addition to the remedies set forth in Section 3.2 and elsewhere in this Agreement, whenever the Security Interest is enforceable, the Secured Party may:

- (a) require the Obligor, at the Obligor's expense, to assemble the Collateral at a place or places designated by notice in writing and the Obligor agrees to so assemble the Collateral promptly upon receipt of such notice;
- (b) require the Obligor, by notice in writing, to disclose to the Secured Party the location or locations of the Collateral and the Obligor agrees to promptly make such disclosure when so required;
- (c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Obligor or otherwise;
- (d) redeem any prior Lien against any Collateral, procure the transfer of such Lien to itself, or settle and pass the accounts of the prior mortgagee, chargee or encumbrancer (any accounts to be conclusive and binding on the Obligor absent manifest error and provided the Secured Party has exercised reasonable diligence in verifying such accounts);
- (e) pay any liability secured by any Lien against any Collateral (all such payments to be added to the Obligations);
- (f) carry on all or any part of the business of the Obligor and, to the exclusion of all others including the Obligor, enter upon, occupy and use all or any of the premises, buildings, and other property of or used by the Obligor for such time as the Secured Party sees fit, free of charge, and the Secured Party is not liable to the Obligor for any act, omission or negligence (other than their own gross negligence or willful misconduct) in so doing or for any rent, charges, depreciation or damages incurred in connection with or resulting from such action;
- (g) borrow for the purpose of carrying on any of the businesses of the Obligor or for the maintenance, preservation or protection of the Collateral and grant a Lien in the Collateral, whether or not in priority to the Security Interest, to secure repayment;
- (h) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give good and valid receipts and discharges in respect of the Collateral and compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Obligor; and

- (i) at any public sale, and to the extent permitted by law on any private sale, bid for and purchase any or all of the Collateral offered for sale and upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to the Obligor or any other Person with respect to such holding, retention or disposition, except as required by law. In any such sale to the Secured Party, the Secured Party may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for Secured Obligations then due and payable to it as a credit against the purchase price.

Section 3.4 Exercise of Remedies.

The remedies hereunder including under Section 3.2 and Section 3.3 may, subject to the applicable laws to the extent required thereby, be exercised from time to time separately or in combination and are in addition to, and not in substitution for, any other rights of the Secured Party however arising or created. The Secured Party is not bound to exercise any right or remedy, and the exercise of rights and remedies is without prejudice to the rights of the Secured Party in respect of the Secured Obligations including the right to claim for any deficiency.

Section 3.5 Receiver's Powers.

- (1) Any receiver appointed by the Secured Party is vested with the rights and remedies which could have been exercised by the Secured Party in respect of the Obligor or the Collateral and such other powers and discretions as are granted in the instrument of appointment and any supplemental instruments. The identity of the receiver, its replacement and its remuneration are within the sole and unfettered discretion of the Secured Party, provided such remuneration is on commercially reasonable terms.
- (2) Any receiver appointed by the Secured Party will act as agent for the Secured Party for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Obligor. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Obligor or as agent for the Secured Party as the Secured Party may determine in its discretion. The Obligor agrees to ratify and confirm all actions of the receiver acting as agent for the Obligor, and to release and indemnify the receiver in respect of all such actions.
- (3) The Secured Party, in appointing or refraining from appointing any receiver, does not incur liability to the receiver, the Obligor or otherwise and is not responsible for any misconduct or negligence of such receiver.

Section 3.6 Appointment of Attorney.

- (1) The Obligor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Obligor and in the name of the Obligor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, the Obligor hereby gives the Secured Party the power and right, on behalf of the Obligor, without notice to or assent by the Obligor, to do any or all of the following:

- (a) in the name of the Obligor or its own name, or otherwise, take possession of and endorse and collect any cheques, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any and all such moneys due whenever payable;
- (b) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Secured Party may request to evidence the Secured Party's Security Interest in such Intellectual Property and the goodwill and general intangibles of the Obligor relating thereto or represented thereby;
- (c) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;
- (d) execute, in connection with any sale provided for in this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and
- (e) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Secured Party or as the Secured Party shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against the Obligor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; (7) assign any Intellectual Property (along with the goodwill of the business to which any such Intellectual Property pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Secured Party shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and do, at the Secured Party's option and the Obligor's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Secured Party's Security Interests therein and to effect the intent of this Agreement, all as fully and effectively as the Obligor might do.

Notwithstanding anything to the contrary in this Section 3.6, the Secured Party agrees that it will not exercise any rights under the power of attorney provided for in this Section 3.6 unless an Event of Default shall have occurred and the Secured Party shall have given the Obligor notice of its intent to exercise the rights under the power of attorney provided for in this Section 3.6.

- (2) If the Obligor fails to perform or comply with any of its agreements contained herein, the Secured Party, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.
- (3) The expenses of the Secured Party incurred in connection with actions undertaken as provided in this Section 3.6, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due Canadian Dollar Prime-Based Loans under the Credit Agreement, from the date of payment by the Secured Party to the date reimbursed by the Obligor, shall constitute Obligations and shall be payable by the Obligor to the Secured Party on demand.
- (4) The Obligor hereby ratifies all that said attorneys shall lawfully do or cause to be done in accordance with the terms hereof. And in accordance with this Section 3.6 all powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created hereby are released.

Section 3.7 Dealing with the Collateral.

- (1) The Secured Party is not obliged to exhaust their recourse against the Obligor or any other Person or against any other security they may hold in respect of the Secured Obligations before realizing upon or otherwise dealing with the Collateral in such manner as the Secured Party may consider desirable.
- (2) The Secured Party may grant extensions or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Obligor and with other Persons, sureties or securities as they may see fit without prejudice to the Secured Obligations, the liability of the Obligor or the rights of the Secured Party in respect of the Collateral.
- (3) Except as otherwise provided by law or this Agreement, the Secured Party is not (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral, (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any Persons in respect of the Collateral, (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral in accordance with the terms hereof or by the retention of or failure to sell or otherwise deal with the Collateral, or (iv) bound to protect the Collateral from depreciating in value or becoming worthless. Notwithstanding the foregoing, the Secured Party shall be responsible to the Obligor for gross negligence or willful misconduct.

Section 3.8 Standards of Sale.

Without prejudice to the ability of the Secured Party to dispose of the Collateral in any manner which is commercially reasonable, and subject always to the provisions of the PPSA, the Obligor acknowledges that:

- (a) the Collateral may be disposed of in whole or in part;
- (b) the Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;

- (c) any assignee of such Collateral may be the Secured Party or a customer of any such Person;
- (d) any sale conducted by the Secured Party will be at such time and place, on such notice and in accordance with such procedures as the Secured Party, in its sole discretion, may deem advantageous;
- (e) the Collateral may be disposed of in any manner and on any terms necessary to avoid violation of Applicable Law (including compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that the prospective bidders and purchasers have certain qualifications, and restrict the prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of the Collateral) or in order to obtain any required approval of the disposition (or of the resulting purchase) by any governmental or regulatory authority or official;
- (f) a disposition of the Collateral may be on such terms and conditions as to credit or otherwise as the Secured Party, in its sole discretion, may deem advantageous; and
- (g) the Secured Party may establish an upset or reserve bid or price in respect of the Collateral.

Section 3.9 Dealings by Third Parties.

- (1) No Person dealing with the Secured Party or an agent or receiver is required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which such Person is purporting to exercise have become exercisable, (iii) whether any money remains due to the Secured Party by the Obligor, (iv) the necessity or expediency of the stipulations and conditions subject to which any sale or lease of Collateral is made, (v) the propriety or regularity of any sale or other dealing by the Secured Party with the Collateral, or (vi) how any money paid to the Secured Party have been applied.
- (2) Any bona fide purchaser of all or any part of the Collateral from the Secured Party or any receiver or agent will hold the Collateral absolutely, free from any claim or right of whatever kind, including any equity of redemption, of the Obligor, which each the Obligor specifically waives (to the fullest extent permitted by law) as against any such purchaser together with all rights of redemption, stay or appraisal which the Obligor has or may have under any rule of law or statute now existing or hereafter adopted.

Section 3.10 Proceeds to be Turned Over to Agent

If an Event of Default shall occur, all proceeds received by the Obligor consisting of cash, cheques and other near-cash items shall be held by the Obligor in trust for the Secured Party and shall, forthwith upon receipt by the Obligor, be turned over to the Secured Party in the exact form received by the Obligor (duly endorsed by the Obligor to the Secured Party, if required). All proceeds received by the Secured Party hereunder shall be held by the Secured Party in a collateral account maintained under its sole dominion and control. All proceeds while held by the Secured Party in a collateral account (or by the Obligor in trust for the Secured Party) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied thereto as provided in Section 3.11.

Section 3.11 Application of Proceeds

At such intervals as may be agreed upon by the Obligor and the Secured Party, or, if an Event of Default shall have occurred, at any time at the Secured Party's election, the Secured Party may apply all or any part of proceeds constituting Collateral and any proceeds of and distribution in respect of Collateral in payment of the Obligations as provided in the Credit Agreement.

**ARTICLE 4
GENERAL**

Section 4.1 Notices.

Any notice to the parties hereto shall be delivered in writing to their respective addresses set out in the Credit Agreement and in the manner set out therein.

Section 4.2 Discharge.

The Security Interest will be discharged upon, but only upon, full and indefeasible payment and performance of the Secured Obligations. Upon the discharge of the Secured Obligations and at the request and expense of the Obligor, the Secured Party will execute and deliver to the Obligor such releases, discharges, financing statements and other documents or instruments as the Obligor may reasonably require and the Secured Party will promptly redeliver to the Obligor, or as the Obligor may otherwise direct the Secured Party, any Collateral in its possession.

If any of the Collateral shall be sold, transferred or otherwise disposed of by the Obligor in a transaction permitted by the Credit Agreement then the Secured Party, at the request and sole expense of the Obligor, shall promptly execute and deliver to the Obligor all releases or other documents necessary or reasonably desirable for the release of the Security Interest created by this Agreement in such Collateral.

Section 4.3 No Merger.

This Agreement does not operate by way of merger of any of the Secured Obligations and no judgment recovered by the Secured Party will operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Secured Party in respect of the Secured Obligations. The representations, warranties and covenants of the Obligor in this Agreement survive the execution and delivery of this Agreement and any advances under the Credit Agreement. Notwithstanding any investigation made by or on behalf of the Secured Party these covenants, representations and warranties continue in full force and effect until this Agreement shall terminate (or thereafter to the extent provided therein).

Section 4.4 Further Assurances.

The Obligor will do all acts and things and execute and deliver, or cause to be executed and delivered, all agreements, documents and instruments that the Secured Party may reasonably require and take all further steps relating to the Collateral or any other property or assets of the Obligor that the Secured Party may reasonably require for (i) protecting the Collateral, (ii) perfecting, preserving and protecting the Security Interest, and (iii) exercising all powers, authorities and discretions conferred upon the Collateral Agent. Whenever the Security Interest is enforceable, the Obligor will do all acts and things and execute and deliver all documents and instruments that the Collateral Agent may reasonably require for facilitating the sale or other disposition of the Collateral in connection with its realization.

Section 4.5 Supplemental Security.

This Agreement is in addition to, without prejudice to and supplemental to all other security now held or which may hereafter be held by the Secured Party.

Section 4.6 Successors and Assigns.

This Agreement is binding on the Obligor and its successors and permitted assigns, and enures to the benefit of the Secured Party and their respective successors and permitted assigns. This Agreement may be assigned by the Secured Party in accordance with the Credit Agreement and, in such event, any such assignee will be entitled to all of the rights and remedies of the Secured Party as set forth in this Agreement or otherwise. In any action brought by an assignee to enforce any such right or remedy, the Obligor will not assert against the assignee any claim or defence which the Obligor now has or may have against the Secured Party. The Obligor may not assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Secured Party which may be unreasonably withheld.

Section 4.7 Enforcement Expenses; Indemnification

- (1) The Obligor agrees to pay or reimburse the Secured Party for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Credit Documents to which the Obligor is a party, including, without limitation, the reasonable fees and disbursements of a single outside counsel to the Secured Party in each relevant jurisdiction.
- (2) The Obligor agrees to pay, and to save the Secured Party harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement, in each case to the extent the Obligor would be required to do so pursuant to the Credit Agreement.
- (3) The Obligor agrees to pay, and to save the Secured Party harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Obligor would be required to do so pursuant the Credit Agreement.
- (4) The agreements in this Section 6.7 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

Section 4.8 Set-Off

In addition to any rights and remedies of the Secured Party provided by law, the Secured Party shall have the right, without notice to the Obligor, any such notice being expressly waived by the Obligor to the extent permitted by applicable law, upon the Obligations becoming due and payable by the Obligor (whether at the stated maturity, by acceleration or otherwise), to apply to the payment of such Obligations, by setoff or otherwise, any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Secured Party, any affiliate thereof or any of their respective branches or agencies to or for the credit or the account of the Obligor. The Secured Party agrees promptly to notify the Obligor after any such

application made by the Secured Party; provided that the failure to give such notice shall not affect the validity of such application.

Section 4.9 Severability.

If any court of competent jurisdiction from which no appeal exists or is taken, determines any provision of this Agreement to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

Section 4.10 Amendment.

This Agreement may only be amended, supplemented or otherwise modified by written agreement executed by the Secured Party and the Obligor.

Section 4.11 Waivers, etc.

- (1) No consent or waiver by the Secured Party in respect of this Agreement is binding unless made in writing and signed by an authorized officer of the Secured Party. Any consent or waiver given under this Agreement is effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Agreement constitutes a waiver of any other provision.
- (2) A failure or delay on the part of the Secured Party in exercising a right under this Agreement does not operate as a waiver of, or impair, any right of the Secured Party however arising. A single or partial exercise of a right on the part of the Secured Party does not preclude any other or further exercise of that right or the exercise of any other right by the Secured Party.

Section 4.12 Governing Law.

This Agreement will be governed by, interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

PACER PROMEC ENERGY CORPORATION

Per: 

Richard Pelletier, President

NATIONAL BANK OF CANADA

Per: _____

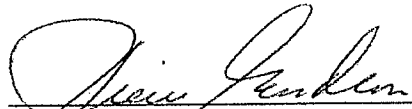
Pierre Gendron, Manager

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

PACER PROMEC ENERGY CORPORATION

Per: _____
Richard Pelletier, President

NATIONAL BANK OF CANADA

Per:  _____
Pierre Gendron, Manager

Transmitting Party

TORYS LLP

Suite 4600, 525 - 8th Avenue SW
Calgary, AB T2P 1G1

Party Code: 60003409
Phone #: 403 776 3726
Reference #:

Security Agreement

Control #: F03191794

Registration Date: 2014-May-23

Registration #: 14052332978

Financing Change Statement

Use this section to Renew or Discharge this Registration. Note before returning, make a photocopy for your file.

Place an (X) in the appropriate box

Renew for: (1-25 years) _____

OR Renew for Infinity:

Total Discharge : Discharge permanently removes ALL record of the registration(s).

Name of Person Authorized to Complete this section	Authorized Signature	Area Code & Telephone #:	Reference #:



Security Agreement

Control #: F03191794

Registration Date: 2014-May-23

Registration #: 14052332978

The Registration Term is 10 Years

This Registration Expires at 11:59 PM on 2024-May-23

Debtor(s)

Block

1 PACER PROMEC ENERGY CORPORATION
1040 7th Avenue SW, Suite 200
Calgary, AB T2P 3G3

Secured Party / Parties

Block

1 NATIONAL BANK OF CANADA
600 de La Gauchetiere West
Montreal, QC H3B 4L2

Collateral: General

Block **Description**

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

End of Verification Statement

Transmitting Party

TORYS LLP

Suite 4600, 525 - 8th Avenue SW
Calgary, AB T2P 1G1

Party Code: 60003409
Phone #: 403 776 3726
Reference #:

Land Charge

Control #: F03191797

Registration Date: 2014-May-23

Registration #: 14052332997



Land Charge

Control #: F03191797

Registration Date: 2014-May-23

Registration #: 14052332997

The Registration Term is Infinity

Debtor(s)

Block

1 PACER PROMEC ENERGY CORPORATION
1040 7th Avenue SW, Suite 200
Calgary, AB T2P 3G3

Secured Party / Parties

Block

1 NATIONAL BANK OF CANADA
600 de La Gauchetiere West
Montreal, QC H3B 4L2

End of Verification Statement

**This is EXHIBIT "D" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



GUARANTEE AND SUBORDINATION AGREEMENT entered into at Montréal, Québec, as of May 23, 2014.

AMONG: **PACER PROMEC ENERGY CORPORATION**, as borrower

AND: **CONSTRUCTION PROMEC INC.**, as guarantor

AND: **PACER CONSTRUCTION HOLDINGS CORPORATION**, as guarantor

AND: **NATIONAL BANK OF CANADA**, as lender

WHEREAS a credit agreement dated as of May 23, 2014 (as same may be amended, supplemented, restated or replaced from time to time, the "**Credit Agreement**") providing for the granting of credit facilities in the aggregate amount of \$30,850,000 (the "**Facilities**") has been entered into and executed between Pacer Promec Energy Corporation, as borrower (the "**Borrower**"), Construction Promec Inc. and Pacer Construction Holdings Corporation, as guarantors, and National Bank of Canada, as lender (the "**Bank**"); and

WHEREAS it is in the best interest of the Guarantors: (i) to guarantee all present and future obligations of the Borrower towards the Bank pursuant to the Credit Agreement and the other Loan Documents including, without limitation, to cover any Borrowing Base deficit, (ii) to subordinate and postpone all amounts owed to either of the Guarantors by the Borrower, and (iii) to ensure that any amount received by Pacer Promec Joint Venture be paid to the Borrower directly, the whole in accordance with and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the Bank having entered into the Credit Agreement with the Borrower and having agreed, subject to the terms and conditions therein provided, to make the Facilities available to the Borrower, the parties hereto have agreed as follows:

1. **INTERPRETATION**

1.1 **Definitions**

The following capitalized words and expressions, whenever used in this Agreement or in any deed, document or instrument supplemental or ancillary hereto, unless there be something in the subject or the context inconsistent therewith, shall have the meaning ascribed to them herein below:

"Obligations" means the obligations of the Borrower towards the Bank and any affiliate thereof, in principal, interest and fees, under the Credit Agreement and the other Loan Documents;

"Rights, Remedies and/or Recourses" with respect to any Person, refers to any personal action, provisional measure, any other personal right, any other remedy, or any other recourse whatsoever.

1.2 Incorporation of Credit Agreement Definitions

The capitalized words and expressions used in this Agreement or in any deed, document or instrument supplemental or ancillary hereto, unless otherwise defined herein or unless there be something in the subject or the context inconsistent therewith, shall have the same meaning as that ascribed to them from time to time in the Credit Agreement.

1.3 Headings

The division of this Agreement into Articles, Sections, subsections, paragraphs and subparagraphs and the insertion of titles are for convenience of reference only and do not affect the meaning or the interpretation of the present Agreement.

1.4 Governing Laws

This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

1.5 Formal Notice

The Guarantors shall be deemed to have received formal notice to fulfill their obligations by the mere lapse of time provided for their execution or by the arrival or forfeiture of the term, or by any other cause provided by law.

1.6 References to this Agreement

The expressions "hereto" or "hereunder" or "hereof" or "herein" or this "Agreement" refer to this agreement together with any future amendment, updating, restatement or supplement thereto.

2. COVENANTS OF THE GUARANTORS

2.1 Guarantee

Each of the Guarantors hereby solidarily and irrevocably, absolutely and unconditionally guarantees to the Bank the due and punctual payment, observance and performance of all the Obligations when and as due (whether at maturity, by reason of acceleration or otherwise) and in accordance with their respective terms, and the Guarantors expressly agree to pay, observe or perform the same when so due or deemed to be due, upon demand therefor by the Bank.

2.2 Borrowing Base Deficit and Overdrafts

In addition, each Guarantor undertakes toward the Bank, solidarily, to cover any Borrowing Base deficit and any overdrafts by the Borrower in any account held by the Borrower at the Bank, upon demand therefor by the Bank, by investing in or making advances to the Borrower (by way of equity injection or Subordinated Debt) in such amount as shall be necessary to cover such deficit or overdraft, without the Bank having to declare a Default or Event of Default. Borrower shall then use such amount to repay a portion of Facility 1 or deposit such amount to its account at the Bank so as to eliminate any such deficit or overdraft.

2.3 Renunciation to the Benefits of Division and Discussion

The Bank shall not be obliged to exercise any of its recourses against the Borrower or against others, or to discuss any of the security which it shall hold, before being entitled to the payment, observance and performance by the Guarantors of the Obligations and it shall not be bound to offer or to deliver its security before being paid in full. The Guarantors renounce to the benefits of discussion and division.

2.4 Consideration

Each of the Guarantors acknowledges that it has made this Guarantee to induce the Bank to make the Facilities available to the Borrower and that the Bank is making the Facilities available to the Borrower in reliance upon this Agreement and would not make the same available to the Borrower without the appropriate execution and delivery of this Agreement. Each of the Guarantors represents and warrants that this Agreement may reasonably be expected to benefit the Guarantor directly or indirectly.

2.5 Payment Upon Receipt of Written Demand

Upon receipt of a written demand from the Bank pursuant to Section 2.1, which demand can only be submitted following the occurrence of an Event of Default, or a demand pursuant to Section 2.2, the Guarantors shall make payment of the amount claimed at such office or branch of the Bank as the Bank may specify from time to time, in the same currency in which such Obligations may be outstanding, in funds immediately available to the Bank at such office. Each such demand shall be accompanied by a certificate of the Bank setting forth the amount which the Guarantors are bound to pay pursuant to this Agreement and the basis of the calculations made by the Bank in order to arrive at such amount. As of and from the date of such demand, the amount of the demand shall bear interest at the Prime Rate, plus 5% per annum.

2.6 Statement of the Bank Constituting Prima Facie Evidence of Amount Due by the Borrower

Any statement prepared by the Bank shall constitute *prima facie* evidence of the amount which, as of the date of the statement so prepared, is due by the Borrower to the Bank under the Obligations and the Guarantors shall be bound by every such statement.

2.7 No Reduction in Payment or Performance

All payments due to the Bank hereunder and all of the other terms, conditions, covenants and agreements to be observed or performed by the Guarantors under this Agreement, whether in respect of the Obligations or otherwise, shall be made, observed or performed by the Guarantors without any reduction whatsoever, including, without limitation, any reduction resulting from any defence, right of action, right of set-off or compensation, right of recoupment or counterclaim of any nature whatsoever that the Borrower or the Guarantors, as the case may be, may have or have had at any time against the Bank or any other Person whether with respect to this Agreement, the Credit Agreement, the other Loan Documents or otherwise. Furthermore, each Guarantor assumes all risks of superior force, and consequently must execute its obligations hereunder in strict compliance with the terms of this Agreement

notwithstanding the existence or occurrence of a superior force within the meaning given to such expression in Article 1693 of the *Civil Code of Québec*.

2.8 Imputation of Payments

All dividends and other sums of money received by the Bank from the Borrower or from anyone whomsoever, which may be imputed in reduction of the Obligations, shall be considered as payments which the Bank may impute as it sees fit, notwithstanding the provisions of Article 1572 of the *Civil Code of Quebec* as well as every other legal rule concerning the imputation of payments.

2.9 Irregularities in Borrowing of No Effect on the Obligations of the Guarantors

All moneys, advances, renewals and credits borrowed or actually obtained by the Borrower from the Bank under the Credit Agreement and the other Loan Documents shall constitute part of the Obligations, notwithstanding any irregularity, defect or informality in the borrowing or the obtaining of the said moneys, advances, renewals and credits, or undertaking of said obligations, whether or not the Bank shall have had knowledge of same, it being expressly understood that any amount which may not be recoverable from the Borrower as a consequence of any irregularity, defect or informality whatsoever in the obligations of the Borrower, may be recovered from the Guarantors as the only or principal debtors and shall be payable to the Bank, upon demand therefor by the Bank, with interest, fees and accessories, the whole in accordance with the provisions set forth herein.

2.10 No Release of the Guarantors

The obligations of the Guarantors hereunder shall not be reduced, limited or terminated, nor shall the Guarantors be discharged from any obligation hereunder, for any reason whatsoever including, but not limited to (and whether or not the same shall have occurred or failed to occur once or more than once and, in the case of extensions of time for payment, observance or performance of obligations, whether such extensions or any of them are for periods longer than the respective periods then specified therefor and whether or not the Guarantors or any one thereof shall have received notice thereof or assented thereto):

2.10.1 any extension of the time for payment, observance or performance, or any other amendment or modification of any of the terms and conditions of the Obligations or the Loan Documents;

2.10.2 any composition or settlement (whether by way of release, acceptance of a plan of reorganization or otherwise) of the Obligations;

2.10.3 the release of any or all of the Security or any release, compromise, settlement, or extension of the time for payment, observance or performance of any obligations created by the Security;

2.10.4 any election not or failure to exercise, delay in the exercise of, exercise or waiver of, or forbearance or other indulgence with respect to any right, remedy or recourse available to the Bank, including but not limited to:

2.10.4.1 any election not or failure to protect or preserve any collateral or protect, perfect or continue the perfection of any Lien upon any collateral now or hereafter securing any or all of the Obligations;

2.10.4.2 any exercise of or failure to exercise any right of set-off, compensation, recoupment or counterclaim;

2.10.4.3 any election of Rights, Remedies or Recourses effected by the Bank;

2.10.4.4 any subordination by operation of law, whether present or future, of any or all of the Obligations;

2.10.4.5 any disallowance, invalidity, illegality, voidness or unenforceability of any or all Liens securing any or all of the Obligations; and

2.10.4.6 any other act or failure to act which varies the risks of the Guarantors hereunder or, but for the provisions hereof, under the terms of any law, would operate to reduce, limit or terminate the obligations of the Guarantors from any obligation hereunder save and except for the receipt by the Bank of the full, final and definitive amount of its claim against the Borrower with respect to the Obligations.

2.11 Certain Waivers

Each of the Guarantors hereby waives:

2.11.1 any requirement, and any right to require that any power be exercised or any action be taken against the Borrower, any other guarantor or any collateral for any of the Obligations;

2.11.2 any defences to and set-offs, counterclaims and claims of recoupment against any and all of the Obligations that may at any time be available to the Borrower or any Guarantor;

2.11.3 notice of acceptance of the incurrence or renewal of any Obligations;

2.11.4 all notices which may be required by Applicable Law to preserve any rights against such Guarantor hereunder including, but not limited to, any notice of default, demand, dishonour, presentment and protest;

2.11.5 any defence based upon, arising out of or in any way related to:

2.11.5.1 any claim that any election of remedies by the Bank impaired, reduced, released or extinguished any rights that such Guarantor might otherwise have had against the Borrower or any other Guarantor;

2.11.5.2 any claim that the Obligations or this Agreement should be strictly construed against the Bank; and

2.11.6 any and all other defences related to the Obligations save and except that the Bank has received the full, final and definitive amount of its claim against the Borrower with respect to the Obligations.

2.12 No Release in Event of Bankruptcy

No settlement or discharge of the Obligations shall be effective if any payment by any of the Guarantors in respect thereof is avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency, liquidation or similar laws of general application from time to time, and if such payment is so avoided or reduced, the Bank shall be entitled to recover the amount of such payment as if such settlement or discharge had not occurred.

2.13 Additional Guarantee

The guarantee contemplated in this Article is in addition to and not in substitution for any other guarantee given by anyone whomsoever and shall not prejudice any and all security furnished to the Bank for the benefit of the Bank by anyone whomsoever, and held by it at any time whatsoever.

2.14 Continuing Liability of Guarantors

The Obligations shall be deemed not to have been paid, observed or performed, and the liability of each of the Guarantors hereunder in respect thereof shall continue and not be discharged, to the extent that any payment, observance or performance thereof by the Borrower, any other Guarantor, or out of the proceeds of any collateral, is recovered from or reimbursed by or for the account of the Bank for any reason, including, but not limited to, a preference or fraudulent transfer or by virtue of any subordination (whether present or future or contractual or otherwise) of the Obligations, whether such recovery or payment over is effected by any judgment, decree or order of any court or governmental authority, by any plan of reorganization or by settlement or compromise by the Bank (whether or not consented to by the Borrower or any Guarantor) of any claim for any such recovery or payment over.

2.15 Rights of Subrogation

The Guarantors may not be subrogated in the rights of the Bank until all the Obligations have been paid, observed and performed in full and the Facilities and the Loan Documents have been cancelled.

2.16 Continuing Guarantee

The Guarantee contemplated in this Agreement constitutes a continuing guarantee and remains in full force until the repayment in full, and cancellation, of the Obligations.

2.17 Reasonableness of Waivers, Renunciations, Declarations and Authorizations

Each of the Guarantors warrants and agrees with the Bank that each of the waivers, renunciations, declarations and authorizations set forth in this Agreement is made with full knowledge of its significance and consequences and each of the Guarantors hereby warrants and agrees that if any of such waivers, renunciations, declarations or authorizations is determined to be contrary to any applicable law or public order, such waivers, renunciations, declarations and authorizations shall be effective only to the maximum extent permitted by law.

2.18 Authority to Modify Obligations

To the extent permitted by law, the Guarantors expressly authorize the Bank, at any time and from time to time without notice and without affecting the liability of the Guarantors hereunder, to:

2.18.1 alter the terms of all or any part of the Obligations and any security and guarantees therefor, including without limitation, modification of times for payment and rates of interest and increase in the amount of the Obligations and the terms of the Loan Documents;

2.18.2 accept new or additional instruments, documents, agreements, security or guarantees in connection with all or any part of the Obligations;

2.18.3 accept partial payment of the Obligations;

2.18.4 waive, release, reconvey, terminate, abandon, subordinate, exchange, substitute, transfer, compound, compromise, liquidate and enforce all or any part of the Obligations and any security or guarantees therefor, and apply any such security and direct the order or manner of sale thereof (and bid and purchase at any such sale), as the Bank, in its discretion, may determine; and

2.18.5 release the Borrower, any Guarantor or any other Person from any personal liability with respect to all or any part of the Obligations.

3. SUBORDINATION AND POSTPONEMENT

3.1 Subordination and Postponement of Indebtedness

Each Guarantor acknowledges, declares and agrees that all Indebtedness, present and future, of the Borrower to it, for any reason whatsoever, including, without limitation, in respect of any payment made by it by reason of the present Agreement (the aggregate of all such present and future Indebtedness is collectively referred to herein as the "**Subordinated Indebtedness**"), is junior and subordinate, and the payment thereof, whether in whole or in part, and whether as to principal, interest, fees or otherwise, and whether at or prior to maturity or upon acceleration of any maturity, is postponed to the prior payment in full of the Obligations, present and future.

Each Guarantor also subordinates and postpones its right to demand redemption or purchase of any shares or equity interest it holds in the Borrower, and should any such redemption or purchase occur, for any reason, any amount or payment owed in respect thereto (except payment in shares of the Borrower) shall be subordinated as above and constitute Subordinated Indebtedness.

The Guarantors shall be permitted to receive payment of Subordinated Indebtedness, whether in principal, interest or fees, provided that such payment is made in accordance with the provisions and limitations of Section 12.6 of the Credit Agreement.

than Tax or other statutory deductions) and without delay, and to put in place, if not already done, documentation supporting such payments.

5. GENERAL PROVISIONS

5.1 Notices

Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, when delivered to such party in accordance with the Credit Agreement.

5.2 Taxes

All payments by a Guarantor of principal of, and interest on, the Obligations and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future excise, stamp or similar taxes, fees, duties, levies, imposts, charges, deductions, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding (w) franchise taxes, (x) any taxes that would not be imposed but for a connection between the Bank and the jurisdiction imposing such taxes (other than a connection arising solely by virtue of the activities of the Bank pursuant to or in respect of this Agreement or any Lien or other document ancillary hereto), (y) any taxes imposed on or measured by the Bank's assets, net income, receipts or branch profits, and (z) any taxes arising after the date hereof solely as a result of or attributable to the Bank changing its designated lending office after the date hereof (the non-excluded items are hereinafter collectively referred to as the "Taxes"). In the event that any withholding or deduction from any payment to be made by the Guarantor hereunder is required in respect of any Taxes pursuant to any applicable law, then the Guarantor will pay to the Bank, such additional amount or amounts as is necessary to ensure that the net amount actually received by the Bank will equal the full amount the Bank would have received had no such withholding or deduction been required and the Guarantor shall indemnify the Bank from any incremental Taxes, interest or penalties that may become payable by the Bank as a result of said Taxes.

5.3 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

5.4 Acknowledgment

Each of the Guarantors hereby acknowledges that it has received and taken cognizance of an original executed copy of the Loan Documents and is familiar with all the provisions thereof.

5.5 Benefit of this Agreement for Future Lenders

The parties hereto do hereby expressly acknowledge, declare and agree that the rights, benefits and remedies created and intended to be created, at any time and from time to time, by

this Agreement in favour of the Bank, are created and intended to be created in favour of the Bank and such Person or Persons who may, at any time and from time to time, become a lender following an assignment pursuant to the provisions of Section 17.3 of the Credit Agreement, in the same manner and to the same extent as though each such Person was personally an original party to or a Person specifically named as a beneficiary in this Agreement.

5.6 Compensation and Set-Off

5.6.1 In addition to any right now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of an Event of Default the Bank is hereby authorized by each Guarantor, at any time and from time to time, without notice to the Borrower or Guarantors or to any other Person, any such notice being hereby expressly waived, to effect compensation, to set-off and to appropriate and to apply any and all deposits (general or special, time or demand, including Indebtedness evidenced by certificates of deposit, in each case whether matured or unmatured), and any other Indebtedness at any time held or owing by the Bank to or for the credit or the account of any Guarantor against and on account of the Obligations, irrespective of whether or not the Bank shall have made any demand hereunder and although said obligations and liabilities, or any of them, shall be contingent or unmatured.

5.6.2 For the purposes of the application of this Section, the Guarantors and the Bank agree that the benefit of any term applicable to the Bank's deposit, credit indebtedness, liability or obligation referred to in this Section shall be lost immediately before the time when the Bank shall exercise its rights under this Section in respect of such deposit, credit indebtedness, liability or obligation of the Bank.

5.6.3 Furthermore, in the exercise of its rights under this Section, where any Indebtedness of the Bank to any Guarantor is not outstanding in the same currency as the Indebtedness of such Guarantor to the Bank, then the Bank may effect all currency conversions with respect to any such Indebtedness as it considers appropriate in accordance with its normal practices by using its own rate of exchange in effect on the Business Day preceding that on which it exercised its rights under this Section.

5.7 Language

The parties hereby confirm their express wish that this Agreement and all other documents and agreements directly or indirectly related thereto, including notices, be drawn up in the English language. Notwithstanding such express wish, the parties agree that any such documents, agreements and notices or any part thereof may also be drawn up in the French language. *Les parties reconnaissent leur volonté expresse que la présente convention ainsi que tous les autres documents et conventions qui s'y rattachent directement ou indirectement, y compris les avis, soient rédigés en langue anglaise. Nonobstant telle volonté expresse, les parties conviennent que n'importe quel desdits documents, conventions et avis ou toute partie de ceux-ci puissent être rédigés en langue française.*

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date and in the place first hereinabove mentioned.

[signature pages follow]

**PACER PROMEC ENERGY
CORPORATION**

per:



Richard Pelletier, President

**CONSRUCTION PROMEC INC., as
Guarantor**

per:

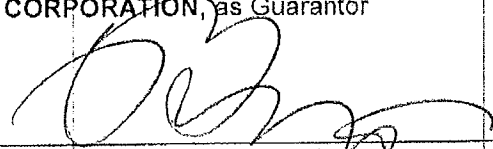
Peter Capkun, President

per:

Denis René, Secretary

**PACER CONSTRUCTION HOLDINGS
CORPORATION, as Guarantor**

per:



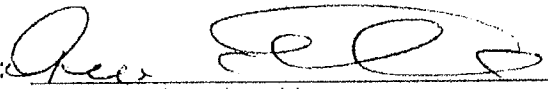
Richard Pelletier, President

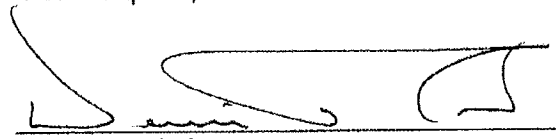
[signature page to the Guarantee Agreement]

**PACER PROMEC ENERGY
CORPORATION**

per: _____
Richard Pelletier, President

**CONSRUCTION PROMEC INC., as
Guarantor**

per:  _____
Peter Capkun, President

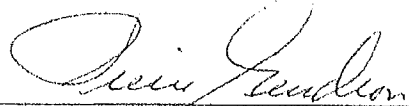
per:  _____
Denis René, Secretary

**PACER CONSTRUCTION HOLDINGS
CORPORATION, as Guarantor**

per: _____
Richard Pelletier, President

[signature page to the Guarantee Agreement]

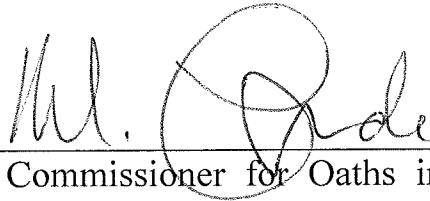
NATIONAL BANK OF CANADA

per: 
Pierre Gendron, Manager

[signature page to the Guarantee Agreement]

**This is EXHIBIT "E" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec





NON-PATENT SHEET CERTIFICATE

S	LINC	SHORT LEGAL	TITLE NUMBER
	0015 775 019	4;11;93;10;NW	4119310NP
	0015 775 027	4;11;93;10;NE	
	0015 775 035	4;11;93;10;SW	
	0015 775 043	4;11;93;10;SE	

LEGAL DESCRIPTION
MERIDIAN 4 RANGE 11 TOWNSHIP 93
SECTION 10
EXCEPTING THEREOUT ALL MINES AND MINERALS

ESTATE: NON-PATENT

MUNICIPALITY: REGIONAL MUNICIPALITY OF WOOD BUFFALO

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION

NUMBER	DATE (D/M/Y)	PARTICULARS
142 374 617	05/11/2014	BUILDER'S LIEN LIENOR - PACER PROMEC ENERGY CORPORATION. C/O PEACOCK LINDER & HALT LLP ATT: RICHARD VAN DORP #850, 400 3RD AVE SW CALGARY ALBERTA T2P4H2 AGENT - BHASKAR BHOWMICK AMOUNT: \$21,838,072

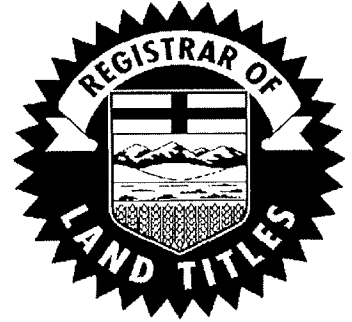
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DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT,
PUBLIC LANDS DIVISION.

TOTAL INSTRUMENTS: 001

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2014 AT 05:25 P.M.

ORDER NUMBER: 27247408

CUSTOMER FILE NUMBER: 5891



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Alberta Mineral Information
Agreement Detail Report

Created On: 2014/11/06 10:25:10 AM
Energy External Search
Request No.: R3252493
AMI100012

Agreement Type/Number: 072 7279120T17 OIL SANDS LEASE

Registration Type/Number: BL 1402486 BUILDERS LIEN

Land Key(s):

- 4-10-092: 19; 20; 21L4RW,L5RW,L12P,L13P; 28L4P,L5P,L12P,L13P; 29-32; 33SWRW,NW,NWRW
- 4-10-092: 34L9P
- 4-10-092: 34L14P,L15P,L16
- 4-10-092: 35L11P,L12P,L13P
- 4-10-093: 2L4P,L5P; 3NW,L1,L2
- 4-10-093: 3L3P,L5P,L6P
- 4-10-093: 3L7P,L8P,L9P,L10P,L15P,L16P; 4N,L4SWRS,L4SWRI,L4SWRW,L4NWRS,L4NWRI,L4NWRW
- 4-10-093: 4L5P,L5SWRW,L5NWRWP,L6P,L7P,L8P; 5-9; 10W
- 4-10-093: 10L1P,L2,L7P,L8P,L9P,L10P,L15P
- 4-10-093: 15L2P,L3P,L4,L5P,L6P,L12P; 16S,NW
- 4-10-093: 16L9P,L10,L15P,L16P; 17-19; 20S,NW,L9,L10,L15P,L16P; 21L2P,L3P,L4,L5P,L6P,L12P
- 4-11-092: 13-15; 19-36
- 4-11-093: 1-24
- 4-12-092: 24-26; 35; 36
- 4-12-093: 1; 2; 11-14; 23; 24

Lienholder(s)

DOE Client ID	Name
1012873	PACER-PROMEC ENERGY CORPORATION

**Alberta Mineral Information
Agreement Detail Report**

Created On: 2014/11/06 10:25:10 AM
Energy External Search
Request No.: R3252493
AMI100012

Agreement Type/Number: 072 7279120T17 OIL SANDS LEASE

Address For Service

DOE Client ID 1006210
Name PEACOCK LINDER & HALT LLP
400 3 AVE SW SUITE 850
CALGARY AB T2P 4H2

Oil Sands Area

OIL SANDS AREA 1 - ATHABASCA - PETROLEUM IS DEEMED TO BE OIL SANDS BETWEEN THE TOP OF THE VIKING FORMATION AND THE BASE OF THE WOODBEND GROUP.

Disclaimer

THIS SEARCH IS PROVIDED ON THE CONDITION AND UNDERSTANDING THAT HER MAJESTY THE QUEEN IN RIGHT OF ALBERTA IS IN NO WAY RESPONSIBLE FOR LOSS OR DAMAGE ARISING FROM ANY ERRORS OR OMISSIONS IN THIS SEARCH AND ANY PERSON MAKING USE OF RELYING IN ANY WAY ON THIS SEARCH HEREBY RELEASES HER MAJESTY THE QUEEN IN RIGHT OF ALBERTA FROM ANY LIABILITY FOR SUCH LOSS OR DAMAGE.

End of Agreement

End Of Report

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LAND TITLES OFFICE
3RD FLOOR, 10365 - 97 STREET
EDMONTON, ALBERTA
T5J 3W7

PHONE: (780) 427-2742
FAX #: (780) 422-6477

DATE : 2015/01/08

CUSTOMER NAME : PEACOCK, LINDER & HALT
D.R.R. #: RC02D559
FAX FEES : 50.00

FAX #: (403) 296-2299

CUSTOMER FILE REFERENCE : 6058/RVD

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NUMBER: 102 115 728
DATE: 12/04/2010

AT THE TIME OF THIS CERTIFICATION
THE FOLLOWING LAND IS UNPATENTED

MERIDIAN 4 RANGE 7 TOWNSHIP 97
SECTION 10
QUARTER NORTH WEST
EXCEPTING THEREOUT ALL MINES AND MINERALS

SUBJECT TO THE ENCUMBRANCES, LIENS AND INTERESTS NOTIFIED BY MEMORANDUM UNDER-
WRITTEN OR ENDORSED HEREON, OR WHICH MAY HEREAFTER BE MADE IN THE REGISTER.

REGISTRATION NUMBER	DATE (D/M/Y)	ENCUMBRANCES, LIENS & INTERESTS PARTICULARS
142 381 532	12/11/2014	BUILDER'S LIEN LIENOR - MANSEAU & PERRON INC. C/O SCOTT VENTURO LLP ATTENTION: JEFF COAPE-ARNOLD 203, 200 BARCLAY PARADE SW CALGARY ALBERTA T2P4R5 AGENT - JEFF COAPE-ARNOLD AMOUNT: \$595,944
152 006 906	08/01/2015	BUILDER'S LIEN LIENOR - PACER PROMEC ENERGY CORPORATION. LIENOR - PACER MAMISIWIN CORPORATION. LIENOR - CONSTRUCTION PROMEC INC. ALL OF : C/O PEACOCK LINDER HALT & MACK LLP ATTENTION: RICHARD VAN DORP 400 3RD AVE SW CALGARY ALBERTA T2P4H2 AGENT - BRUCE GORDICHUK AMOUNT: \$41,184,135

NOTE: FOR A COMPLETE SEARCH AND VERIFICATION OF
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DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT,
PUBLIC LANDS DIVISION

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SUPPLEMENTARY INFORMATION
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TOTAL INSTRUMENTS: 002

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ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION
NUMBER

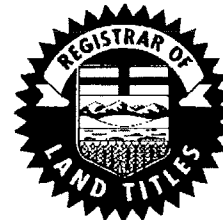
DATE (D/M/Y)

PARTICULARS

152 006 906	08/01/2015	BUILDER'S LIEN LIENOR - PACER PROMEC ENERGY CORPORATION. LIENOR - PACER MAMISIWIN CORPORATION. LIENOR - CONSTRUCTION PROMEC INC. ALL OF : C/O PEACOCK LINDER HALT & MACK LLP ATTENTION: RICHARD VAN DORP 400 3RD AVE SW CALGARY ALBERTA T2P4H2 AGENT - BRUCE GORDICHUK AMOUNT: \$41,184,135
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PUBLIC LANDS DIVISION

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TOTAL INSTRUMENTS: 001

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MERIDIAN 4 RANGE 7 TOWNSHIP 97
SECTION 10
QUARTER SOUTH WEST
EXCEPTING THEREOUT ALL MINES AND MINERALS

SUBJECT TO THE ENCUMBRANCES, LIENS AND INTERESTS NOTIFIED BY MEMORANDUM UNDER-
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ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
142 381 532	12/11/2014	BUILDER'S LIEN LIENOR - MANSEAU & PERRON INC. C/O SCOTT VENTURO LLP ATTENTION: JEFF COAPE-ARNOLD 203, 200 BARCLAY PARADE SW CALGARY ALBERTA T2P4R5 AGENT - JEFF COAPE-ARNOLD AMOUNT: \$595,944
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NOTE: FOR A COMPLETE SEARCH AND VERIFICATION OF
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PUBLIC LANDS DIVISION

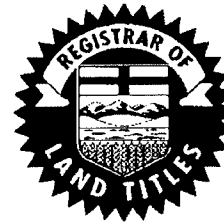
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TOTAL INSTRUMENTS: 002

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NUMBER: 102 115 728 +3
DATE: 12/04/2010

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THE FOLLOWING LAND IS UNPATENTED

MERIDIAN 4 RANGE 7 TOWNSHIP 97
SECTION 10
QUARTER SOUTH EAST
EXCEPTING THEREOUT ALL MINES AND MINERALS

SUBJECT TO THE ENCUMBRANCES, LIENS AND INTERESTS NOTIFIED BY MEMORANDUM UNDER-
WRITTEN OR ENDORSED HEREON, OR WHICH MAY HEREAFTER BE MADE IN THE REGISTER.

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
152 006 906	08/01/2015	BUILDER'S LIEN LIENOR - PACER PROMEC ENERGY CORPORATION. LIENOR - PACER MAMISIWIN CORPORATION. LIENOR - CONSTRUCTION PROMEC INC. ALL OF : C/O PEACOCK LINDER HALT & MACK LLP ATTENTION: RICHARD VAN DORP 400 3RD AVE SW CALGARY ALBERTA T2P4H2 AGENT - BRUCE GORDICHUK AMOUNT: \$41,184,135

NOTE: FOR A COMPLETE SEARCH AND VERIFICATION OF
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THE NON-PATENT SHEET REPRESENTED HEREIN THIS 08 DAY OF JANUARY ,2015



(CONTINUED)

TO: PEACOCK, LINDER & HA FROM: ALTA Production 18:01MST Page 9/11
PAGE 2

CERTIFIED COPY OF
NON - P A T E N T S H E E T

NUMBER: 102 115 728 +3
SUPPLEMENTARY INFORMATION
MUNICIPALITY: REGIONAL MUNICIPALITY OF WOOD BUFFALO
TOTAL INSTRUMENTS: 001

TO: PEACOCK, LINDER & HA FROM: ALTA Production 18:01MST Page 10/11



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NON - PATENT SHEET

LINC SHORT LEGAL
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NUMBER: 102 115 731
DATE: 12/04/2010

AT THE TIME OF THIS CERTIFICATION
THE FOLLOWING LAND IS UNPATENTED

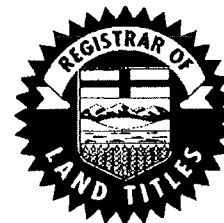
MERIDIAN 4 RANGE 7 TOWNSHIP 97
SECTION 8
QUARTER NORTH WEST
EXCEPTING THEREOUT ALL MINES AND MINERALS

SUBJECT TO THE ENCUMBRANCES, LIENS AND INTERESTS NOTIFIED BY MEMORANDUM UNDER-
WRITTEN OR ENDORSED HEREON, OR WHICH MAY HEREAFTER BE MADE IN THE REGISTER.

		ENCUMBRANCES, LIENS & INTERESTS
REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
152 006 906	08/01/2015	BUILDER'S LIEN LIENOR - PACER PROMEC ENERGY CORPORATION. LIENOR - PACER MAMISIWIN CORPORATION. LIENOR - CONSTRUCTION PROMEC INC. ALL OF : C/O PEACOCK LINDER HALT & MACK LLP ATTENTION: RICHARD VAN DORP 400 3RD AVE SW CALGARY ALBERTA T2P4H2 AGENT - BRUCE GORDICHUK AMOUNT: \$41,184,135

NOTE: FOR A COMPLETE SEARCH AND VERIFICATION OF
PROVINCIAL NON-PATENT LANDS, CONTACT THE
DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT,
PUBLIC LANDS DIVISION

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF
THE NON-PATENT SHEET REPRESENTED HEREIN THIS 08 DAY OF JANUARY ,2015



(CONTINUED)

TO: PEACOCK, LINDER & HA FROM: ALTA Production 18:01MST Page 11/11
PAGE 2

CERTIFIED COPY OF
NON - P A T E N T S H E E T

NUMBER: 102 115 731
SUPPLEMENTARY INFORMATION
MUNICIPALITY: REGIONAL MUNICIPALITY OF WOOD BUFFALO
TOTAL INSTRUMENTS: 001

**This is EXHIBIT "F" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



De : Bhaskar Bhowmick [mailto:bhaskar.bhowmick@pacerpromec.com]

Envoyé : 17 novembre 2014 17:23

À : Lily Arbabi; Maryam Babolian; Paul Skinner; Amirhosein Aslani; Mohammad Pourmofidi; Carl Tatarin; joel.baillargeon; hani.alzraiee

Cc : Bruce Gordichuk; AJ Carter; pam.steeves; Joel Thompson; Paul Lafreniere Promec

Objet : N5000 B Project Analysis.

Hello Carl and all our N5000 Project Control Team,

We need more information for material invoicing. The bulk material invoicing figure of \$ 742,245 does not explain anything. How much of it is for the material received from TFL?

Please provide a breakdown of all invoices/material that we have received from TFL for N5000 and how much of it we have invoiced so far? As per my records, we have received \$4,086,877.69 from TFL for N5000 but I do not think we have invoiced that back to CNRL. Therefore, I need that break up to understand what happened to all these materials? Have they been installed? Lying around in quarantine? What is the rule of credit?

Our material budget is \$2.88 mil but We have invoice from TFL for \$ 4.09 mil. Some of it must be for shop welding etc. But if we have received 85% of the material, why we have not invoiced 85% ? A detailed break-up of the invoicing into progress and material is a must at this point.

I have enclosed herewith a project summary. We have only finished 35 % of the job but incurred 65 % of the cost!

And we have invoiced far less. Not only we are losing money we are cash negative in a big way. We need to have a weekly meeting to discuss this situation and how we are going to correct it.

Our weekly cost meeting should discuss the following:

- Committed cost.
- Incurred Cost.
- Budgeted cost vs. Actual Cost by line item.
- Progress.
- CMT cost.
- Invoicing (or lack of it)

Joel B and Hani A, Payroll will be posted by Wednesday so you can prepare this information every Thursday and circulate to relevant personnel so that we can have the follow up meeting the day after.

Furthermore, as Bruce has mentioned already, we should not be doing any extra / out of scope work, unless the RCO has been approved already. We do not want to collect 50 cents to the dollar months after we have done the work.

If you have any questions or concerns, do not hesitate to contact me.

Tx,

Bhaskar Bhowmick, CA. PMP.

Vice President - Finance

Pacer Promec Energy Corporation (PPEC)

Suite 200, 1040 - 7th Ave SW

Calgary, Alberta, Canada T2P 3G9

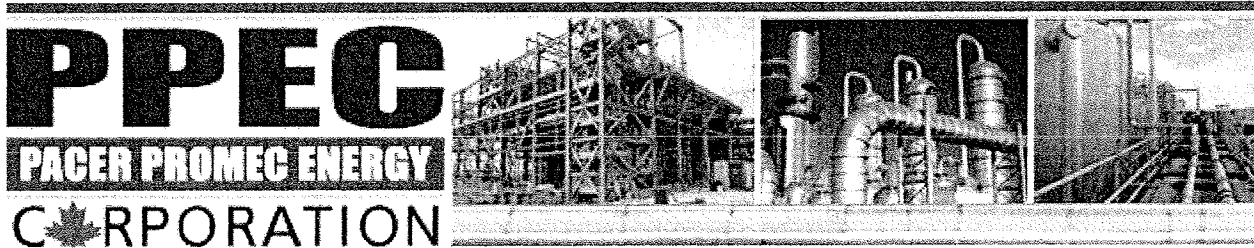
office | 587.352.5251 ext. 1013

fax | 587.352.5257

email | bhaskar.bhowmick@pacerpromec.com

website | www.pacerpromec.com

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Please consider the environment before printing this email.

From: Mohammad Pourmofidi <mohammad.pourmofidi@pacerpromec.com>

Date: November 16, 2014 at 10:57:48 MST

To: Bruce Gordichuk <bruce.gordichuk@pacerpromec.com>

Cc: Lily Arbabi <lily.arbabi@pacerpromec.com>, Paul Skinner <paul.skinner@pacerpromec.com>, Maryam Babolian <maryam.babolian@pacerpromec.com>

Subject: FW: October Invoice - Bulk Material

Hi,

The October Invoice is under review (Unit Rate) by both sides (CNRL and PPEC) and the is not finalized yet. However, what we expect for "bulk material" in October invoice is about \$ 742,245.

Regards,

Mohammad Pourmofidi
Project Controls

De : Bhaskar Bhowmick [mailto:bhaskar.bhowmick@pacerpromec.com]

Envoyé : 19 décembre 2014 14:05

À : hani.alzraiee; Carl Tatarin

Cc : Bruce Gordichuk; Richard Pelletier Pacer; Joel Thompson; Paul Lafreniere Promec; Debora RiceSalomons

Objet : Weekly Progress Report N5000

Hi Hani,

Thank you for giving me the access of N5000 weekly report. This is the 1st time I have seen a report for N5000 although I am sure it is being submitted to CNRL on a regular basis. Please include me in all future distribution list.

I have some quick points to clarify if you can help me with those:

- I think we should have internal report separate from the one that we send to CNRL.
- From the labour report we have actual head count of 146 vs planned 164 which is 89%. But the Actual progress was only 0.90 % against a weekly forecast of 1.85% . That is less than 50% progress vs. forecast. Why is such a big loss of productivity? This will push the completion time beyond the established baseline unless we do another recovery plan and crash the project sometime in future, which means additional costs.
- From the original bid, we know that this project was to be completed by Dec 2014. But from the planned baseline I see that we have 50.76% projected to date. At what point of time we revised the baseline and why?

Was there any schedule delay from CNRL and if so have we documented it. This revised baseline will double our CMT cost, camp & travel and other indirect costs. Have we prepared any claim / RCO for this cost escalation?

- I do not see any EVA and CPI by the ISO lines. Are we preparing EV reports on a weekly basis? Can you please send me the report.
- I know you have recovered / identified missed billing close to million dollar for Epoxy and foundation since Sept. How did we missed billing such huge amount of work? That raises question as to what else we are missing? Do we have any quantity surveyor and who is responsible for making sure that all our billable expenses are being captured?
- From the C&P log, the comments do not specify whether it is CNRL's fault and if so how it is affecting the progress and whether we can recover the lost productivity and associated cost from CNRL. This should form the basis for any future claims.
- From the RCO log I see all these hours submitted. Are these extra hours worked beyond the scope and what action we are taking to get them approved. We have discussed that we should not work extra hours unless we have approved RCO. Are will still doing the extra work 1st and then trying to recover 50 cents to the dollar after months?

If you could educate me on the above points, it will very helpful. We need to ensure that there are no more slippages and we do not turn this job to another black hole.

Tx,

Bhaskar Bhowmick, CA. PMP.

Vice President - Finance

Pacer Promec Energy Corporation (PPEC)

Suite 200, 1040 - 7th Ave SW

Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013

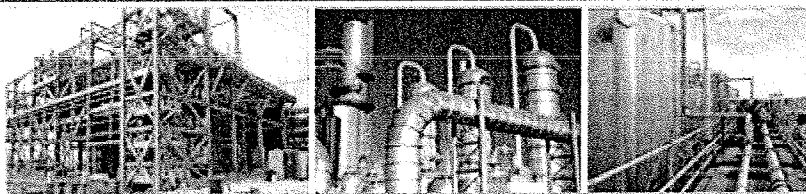
fax | 587.352.5257

email | bhaskar.bhowmick@pacerpromec.com

website | www.pacerpromec.com


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De : Bhaskar Bhowmick [mailto:bhaskar.bhowmick@pacerpromec.com]

Envoyé : 13 février 2015 12:10

À : Bruce Gordichuk; Adrian Begley; Debora RiceSalomons

Cc : Joel Thompson (Forward); Richard Pelletier Pacer; Paul Lafreniere Promec; Bill McDougall; Brent Sherfey

Objet : N5000 Additional Cash Requirement to Complete

Hi Bruce,

Kindly refer to our discussion this morning regarding additional cash requirement for N5000, based on already increased manpower.

To sum it up, we need another \$ 27 Mil cash injection for N5000 :

N5000 cash requirement based on Accelerated Manpower

Labour	40,276,800.20	Debora Calculation
Material, Camp & Flight	9,424,429.95	Carl T Calculation
Total Cost to complete	49,701,230.15	

To Bill on Original Contract 22,990,905.15

Negative cash or 26,710,325.00
Additional Cash Required

I do not think this sustainable or possible. Even before we proceed on this path, let us find out who is going to provide this cash.

As I said before, it is not a question of liquidity, it is a question of solvency. And right now, the project is not solvent. We need to find out how we can finish this project with minimum pain and that involves taking a fresh look at project management.

Food for thought.

Tx,

Bhaskar Bhowmick, CA. PMP.

Vice President - Finance

Pacer Promec Energy Corporation (PPEC)

Suite 200, 1040 - 7th Ave SW

Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013

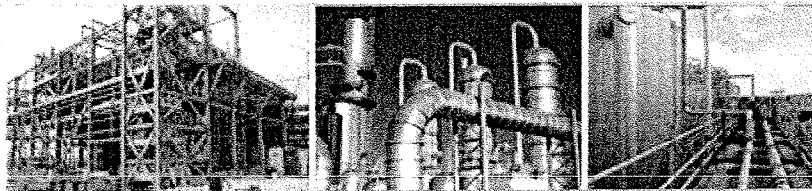
fax | 587.352.5257

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 Please consider the environment before printing this email.

De : Bhaskar Bhowmick [mailto:bhaskar.bhowmick@pacerpromec.com]

Envoyé : 17 février 2015 16:41

À : Paul Lafreniere Promec

Cc : Joel Thompson (Forward)

Objet : RE: Cash Flow Statement

Hi Paul,

I am enclosing herewith the labour cost calculation done by Debora.

I have taken the numbers from her worksheet.

So it is not a mistake for sure.

To the best of my understanding PPEC is only liable for liquidated damages, which are limited to 10% of the contract value. There is no consequential damage.

I agree with you that this will cause more loss for PPEC, more so because we are not getting any good productivity. So bringing in additional manpower is no way helpful as per my humble opinion. I have brought this to the notice of everyone concerned.

The cash flow is correct taking into consideration the additional expenditure. Not sure where that money is going to come from.

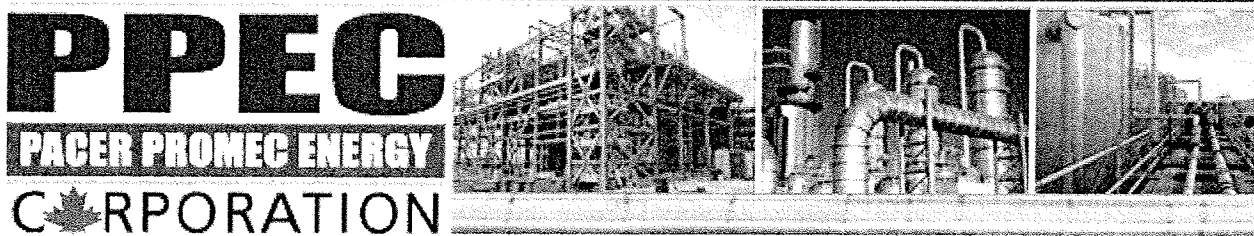
Tx,

Bhaskar Bhowmick, CA. PMP.
Vice President - Finance

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Please consider the environment before printing this email.

From: Paul Lafrenière [<mailto:plafreniere@promec.ca>]
Sent: February-17-15 1:14 PM
To: Bhaskar Bhowmick
Subject: RE: Cash Flow Statement

Hi Bhaskar

Sorry I miss the meeting, I was on a plane.

The only question I would have is why does PPEC have close to \$4M of payroll starting week ending February 19 and for four consecutive weeks, this represent \$16M in payroll in a month !?!

That must be a mistake ?

No one can accelerate at this level at this time of the year and hope to be productive !

Does PPEC have a monetary agreement with CNRL to cover these extra costs ?

If not this is suicidal and will generate substantial losses to PPEC, with probably gaining very little progress for the project !

Who as developed this schedule and more important who has approved it ?

Please confirmed that this is a mistake in the cash flow ?

Regards

Paul

Paul Lafreniere CPA, CA

Vice-président, opérations

Construction Promec inc.

346 Aimé-Vincent

Vaudreuil Québec J7V 5V5

450 510 5420 ext 429

plafreniere@promec.ca

<http://www.promec.ca>

De : Bhaskar Bhowmick [mailto:bhaskar.bhowmick@pacerpromec.com]

Envoyé : 17 février 2015 11:57

À : Bill McDougall; Joel Thompson; Bruce Gordichuk

Cc : Brent Sherfey; Adrian Begley; Richard Pelletier Pacer; Paul Lafreniere Promec

Objet : Cash Flow Statement

Hi Bruce,

I am sending this cash flow again (sent earlier on last Friday).

As of now, I have included only \$500k per week for vendors because I do not have 3 weeks look ahead numbers for AP. (what is the minimum amount you want to pay the vendors per week) As and when that number is available, I will plug it in and update the cash flow.

If anything that will increase the funding gap.

Tx,

Bhaskar Bhowmick, CA. PMP.

Vice President - Finance

Pacer Promec Energy Corporation (PPEC)

Suite 200, 1040 - 7th Ave SW

Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013

fax | 587.352.5257

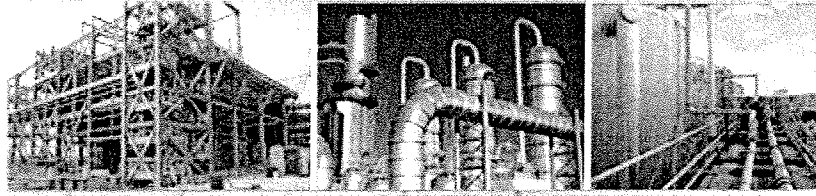
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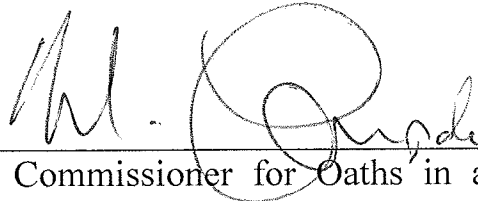
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**This is EXHIBIT "G" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



-----Message d'origine-----

De : Joel Thompson [<mailto:joel.thompson@pacercorp.com>]

Envoyé : 30 janvier 2015 16:43

À : Paul Lafreniere; Peter Capkun; Richard Pelletier; Paul DiMarco; Bill McDougall; Brent Sherfey; Bhaskar Bhowmick

Objet : Financial information to the bank

Attached is the most recent cash forecast provided by PPEC, although it's not going to make the bank comfortable, it appears realistic. I would like to recommend that we also include the attached Cash to Complete file as of today. It demonstrates that with a reasonable resolution of the claims, funds will be available to settle with the bank at the end of the projects. Perhaps this will give them the comfort they need to work through this with us.

Let me know your thoughts.

Joel

Project Summary
As at January 29, 2015

	Denominated in Millions							
	TOTAL	N5000	Trains 1 & 2	R-51	MLMR	Kearl Lake	S6000	Other
Outflows:								
Current Non-Related Party Trade A/P	29.2	6.9		8.9	0.4	5.6	5.2	2.2
Costs to Complete (Note 1)	43.8	25.1	8.2	10.5	0.0	0.0	0.0	0.0
Total Estimated Expenses at Project Completion	73.0	32.0	8.2	19.4	0.4	5.6	5.2	2.2
Inflows:								
Current Non-Related Party Trade A/R (Note 3)	14.4	4.6	1.6		1.6	1.9	2.7	2.1
Future Billings (Note 4)	50.7	21.5	10.1	17.4	0.0	1.2	0.0	0.5
Holdback Receivable (Note 3)	8.3	1.9	0.1	1.3	1.9	1.6		1.5
Total Estimated Inflows at Project Completion	73.4	28.0	11.8	18.7	3.5	4.6	2.7	4.1
Net Estimated Inflows (Outflows) at Project Completion	0.4	-4.0	3.6	-0.7	3.1	-1.0	-2.5	1.9
Claims (Note 1)	13.2	0.0	0.0	0.0	3.2	10.0	0.0	0.0
Unapproved RCOS (Note 1)	16.7	2.3	0.0	0.2	6.8	7.4	0.0	0.0
Net Estimated Inflows (Outflows) at Project Completion	30.3	1.7	3.6	0.5	13.1	16.4	2.5	1.9
National Bank Line of Credit	26.0							
Equipment (Note 2)	6.1							
Net Cumulated Estimated Cash Position	10.4							

Note 1: Based on forecasted costs to complete less costs incurred and unapproved RCOS and claims as per Project Controls for CNRL and Krupp Canada Inc. as of December 31, 2014 per unconsolidated F/S by project dashboard.

Note 2: Based on NBV of Plant, Property and Equipment per unaudited December 31, 2014 F/S

Note 3: Based on A/R subledger with retention amounts outstanding as at January 29, 2015.

Note 4: Based on December 31, 2014 dashboard contract values (base and approved change orders) less progress certificates / approved change orders / milestones already billed as at December 31, 2014. Note no new billings have occurred between the December 31, 2014 dashboard and January 28, 2015.

	Total	N5000	Trains 1 & 2	R100	MLMR	Kearl Lake	S6000	Other
Contract	193.5	41.8	11.8	30.4	19.4	47.3	25.6	17.2
Billed	142.8	20.3	1.7	13.0	19.4	46.1	25.6	16.7
Outstanding Billings	50.7	21.5	10.1	17.4	-	1.2	-	0.5
ECAC	253.7	58.2	8.2	31.4	33.8	74.8	29.8	17.5
Costs Incurred as at December 31, 2014	209.9	33.1	8.2	20.9	33.8	74.8	29.8	17.5
ECTC	43.8	25.1	8.2	10.5	-	-	-	-
Profit / (Loss)	16.4	3.6	1.0	14.4	27.5	4.2	0.3	-
excluding unapproved CO's and claims	-39.2%	30.5%	-3.3%	-7.4.2%	-58.1%	-1.64%	-1.7%	-

**This is EXHIBIT "H" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



GUARANTEE

TO: CANADIAN NATURAL RESOURCES LIMITED (together with its successors and assigns herein referred to individually and collectively as "**Canadian Natural**")

All capitalized terms which are not otherwise defined herein shall have the meanings set forth in the **Construction Agreement No. 810827, "N5000B - North Plant: Mechanical and Piping"** dated as of **5 March, 2014** entered into between Canadian Natural and **Pacer Promec Energy Corporation inc. (PPEC)**, as amended from time to time (the "**Contract** ").

IN CONSIDERATION OF the payment of the sum of ten (\$10.00) dollars and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **Pacer Construction Holdings Corporation (PCHC)**, a corporation incorporated under the laws of **Alberta** (the "**Guarantor**") hereby absolutely, unconditionally and irrevocably guarantees to and in favour of Canadian Natural that **Pacer Promec Energy Corporation inc.**, a corporation incorporated under the laws of **Alberta** (the "**Contractor**") will, and the Guarantor will cause the Contractor to, fully, punctually and duly perform and observe each and every obligation including, without limitation, the full, due and punctual payment to the Canadian Natural when due of all debts and liabilities (including, without limitation, interest, if any, on unpaid amounts) now or hereafter owing by the Contractor under or in respect of the Contract as and when the same become due and payable in accordance with the terms thereof and the full, due and punctual payment to Canadian Natural of the amount of any monetary award or judgment against the Contractor in respect of the breach by the Contractor or failure by the Contractor to observe, perform or keep, any of the Obligations (all of the foregoing covenants, obligations, conditions, agreements, debts, liabilities, awards and judgments of the Contractor, being herein referred to, collectively, as the "**Guaranteed Obligations**" and each individually as a "**Guaranteed Obligation**") and the Guarantor further hereby agrees to and with Canadian Natural that, if the Contractor should at any time fail to perform, observe or keep any Guaranteed Obligation, the Guarantor shall, on demand as hereinafter provided, forthwith pay such amount or perform, observe and keep, or cause to be performed, observed and kept, such Guaranteed Obligation, as the case may be. The liability of Guarantor towards Canadian Natural shall in no event exceed the liability of Contractor under the Contract.

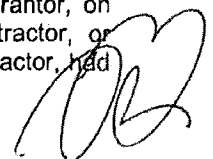
AND, IN ADDITION TO THE FOREGOING OBLIGATIONS, THE GUARANTOR HEREBY AGREES AS FOLLOWS:

1. **Definitions.** For the purposes of the Guarantee, the following terms shall have the meaning set out as follows:
 - (a) "**Governmental Authorization**" means an authorization, consent, approval, waiver, order, decree, license, exemption, permit, registration, filing, qualification or declaration of or with any Governmental Authority or the giving of notice to any Governmental Authority or any other action in respect of a Governmental Authority;
 - (b) "**Obligations**" means all covenants, agreements, liabilities, obligations, conditions and debts of the Contractor under or in respect of any of the Contract, or to Canadian Natural under any of the Contract, and "**Obligation**" means any of them; and
 - (c) "**Owner**" means any Person which after the date hereof acquires an ownership interest in the Project.
2. **Dealings by Canadian Natural.** Without in any way diminishing or otherwise affecting the rights of Canadian Natural or limiting the liability of the Guarantor under this Guarantee, Canadian Natural or the Contractor may from time to time agree to any change in, amendment to, waiver of or departure from any provision of the Contract, any Guaranteed Obligation or any transaction contemplated by any of the Contract Documents; grant extensions of time or other indulgences; delay in the exercise or fail or omit to exercise any right or remedy; take or give up securities; abstain from taking, perfecting or registering securities or exercising any remedy; accept compositions, arrangements and plans of reorganization; grant waivers, consents, extensions, indulgences, compromises, releases and discharges to, and otherwise deal with, the Contractor and other Persons (including other guarantors or any co-signor, endorser or surety) and

4. **Loss of Securities.** The Guarantor's obligation to pay under this Guarantee will not be limited, reduced or affected by any loss of or in respect of, or the unenforceability of, any securities or Financial Instruments held by Canadian Natural from the Contractor or any other Person (including other guarantors), whether resulting from the fault of Canadian Natural or for any other reason.
5. **Changes in Structure.** The Guarantor's obligation to pay under this Guarantee will not be limited or reduced by any change from time to time in the name of the Contractor, the Guarantor, Canadian Natural or in the ownership, constitution, membership (through the retirement or withdrawal of any officer, director, shareholder or partner or the introduction of one or more officers, directors, shareholders or partners or otherwise), or the dissolution or any reorganization (whether by way of merger, amalgamation, transfer, sale, lease or otherwise) of any of them or of the business of any of them or of any one or more other corporations that are partners or associates of any of them. The Guarantor shall promptly notify and cause the Contractor to notify Canadian Natural of any such change in respect of the Guarantor or the Contractor.
6. **Continuing Guarantee.** This Guarantee shall be a continuous guarantee of payment and performance and shall be absolute and unconditional as if the Guarantor were the principal Contractor in respect of the Guaranteed Obligations and shall remain in full force and effect until the Guaranteed Obligations have been fully, finally and indefeasibly performed, satisfied or discharged. All future obligations and liabilities of all kinds of the Contractor to Canadian Natural arising under or pursuant to the Contract shall be deemed to form part of the Guaranteed Obligations. The Guaranteed Obligations are also deemed to include, without limitation, interest and other charges due and payable to Canadian Natural under the Contract.
7. **Waiver.** The Guarantor waives any and all notice of the creation, renewal, amendment, extension or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by Canadian Natural or any other Person upon this Guarantee or acceptance of this Guarantee. The Guaranteed Obligations and each of them shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee. The Guarantor unconditionally and irrevocably waives, to the fullest extent permitted by Applicable Law:
 - (a) acceptance of this Guarantee and proof of reliance by Canadian Natural or any other Person hereon, and any requirement for any presentment, demand performance, notice of non-performance or protest;
 - (b) notice of any of the matters referred to in Sections 2, 4 or 5, or any right to consent or assent to any thereof;
 - (c) all notices that may be required by Applicable Law or otherwise, now or hereafter in effect, to preserve intact any rights against the Guarantor, including any presentment, protest, proof or notice of non-payment under the Contract or in respect of any Guaranteed Obligation; and
 - (d) any requirement of Canadian Natural or any other Person to take any action whatsoever or to exhaust any remedies under the Contract.

The Guarantor unconditionally and irrevocably acknowledges and agrees that Canadian Natural is not required to provide notice to the Guarantor of any of the matters referred to above.

The Guarantor agrees that, without limiting the generality of this Guarantee, if the Contractor has failed to fully and strictly pay or perform any of the Guaranteed Obligations when and as due and Canadian Natural is prevented by Applicable Law from exercising its remedies under the Contract or if the Contract is terminated as a result of the rejection or disaffirmance thereof by any trustee, receiver or liquidating agent of the Contractor upon the occurrence of an event described in Sections 2, 4 or 5, then Canadian Natural shall be entitled to receive from the Guarantor, on demand therefore, the sums that otherwise would have been due from the Contractor, or performance of the obligations that would have otherwise been performed by the Contractor, had



such remedies been exercisable and exercised or such documents and instruments not been rejected or disaffirmed.

8. **Waiver of Subrogation.** Until all the Guaranteed Obligations shall have been indefeasibly performed and satisfied or paid in full and in cash, as applicable, the Guarantor will not, without the prior written consent of Canadian Natural, exercise any rights which it may now or hereafter acquire against the Contractor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under this Guarantee, including any right of subrogation, reimbursement, exoneration, or indemnification and any right to participate in any claim or remedy of Canadian Natural against the Contractor, which Canadian Natural now has or hereafter acquires, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including the right to take or receive from the Contractor, directly or indirectly, in cash or other property or by set-off or in any manner, payment or security on account of such claim or other rights and the Guarantor hereby waives to the fullest extent permitted by Applicable Law any such claim, remedy or rights. If any amount shall be paid to the Guarantor in violation of the preceding sentence and the Guaranteed Obligations shall not have been fully discharged and indefeasibly performed and satisfied, or paid in full and in cash, as applicable, such amount shall be deemed to have been paid to the Guarantor for the benefit of, and held in trust for, Canadian Natural and shall forthwith be paid to Canadian Natural to be credited and applied pursuant to the terms of this Guarantee. The Guarantor acknowledges that it will receive direct and indirect benefits from the transactions contemplated by the Contract and that the agreements of the Guarantor set forth in this Agreement and in particular this Section 8 are knowingly made in contemplation of such benefits. Upon final and indefeasible payment and performance of all the Guaranteed Obligations, the Guarantor shall be subrogated to the rights of Canadian Natural against the Contractor to the extent satisfied by the Guarantor.

The waivers and acknowledgements provided by the Guarantor under this Guarantee (including specifically as provided by Sections 2, 3, 4, 5 and 7 hereof shall apply and all waivers hereunder will be effective, even if the effect of any such action or circumstance, or failure to take action is to destroy or diminish the Guarantor's subrogation rights, the Guarantor's right to proceed against the Contractor for reimbursement or the Guarantor's right to recover contribution from any other guarantor or surety or any other right or remedy.

9. **Demand for Performance or Payment.** The Guarantor shall perform the Guaranteed Obligations or any part thereof, or make payment to Canadian Natural of any Guaranteed Obligations, forthwith after demand therefore has been made in writing and such demand shall be deemed to have been effectively made when delivered or transmitted by facsimile to the following address or facsimile number for the Guarantor:

Attention: **Pacer Construction Holdings Corporation (PCHC)**

1105 - 7th Avenue SW

Calgary, AB

T2P 1B2

Facsimile: **403-301-0206**

The Guarantor may change its address or facsimile number by giving written notice to Canadian Natural delivered or transmitted by facsimile to the address and facsimile number for Canadian Natural provided in the Contract.

10. **Additional Security.** This Guarantee is in addition and without prejudice to any securities or Financial Instruments of any kind now or in the future held by Canadian Natural, and the word "securities" in this document includes all guarantees, sureties and Financial Instruments from time to time held by Canadian Natural.

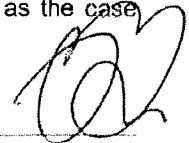
11. **Representations and Warranties.** The Guarantor hereby represents and warrants that:
- (a) it is duly organized and validly existing under the laws of **Alberta** and is qualified to conduct business in all jurisdictions in which it carries on business or in which assets of the Guarantor are located which would require that the Guarantor be qualified to carry on business in such jurisdiction;
 - (b) it has the legal right, power and authority, and has obtained all necessary consents and Governmental Authorizations for it to own its assets, conduct its business, execute and deliver this Guarantee and perform its obligations hereunder;
 - (c) the making and performance of this Guarantee have been duly authorized by all necessary corporate action of the Guarantor and the execution, delivery and performance hereof does not and will not, in relation to the Guarantor, violate any provision of Applicable Law or any provision of its governing documents;
 - (d) this Guarantee constitutes legal, valid and binding obligations enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies, to the discretion of the court before which proceedings to obtain such remedies may be pending;
 - (e) there are no suits, proceedings, judgments or orders by or before any court or Governmental Authority that, considered separately or in any combination, could reasonably be expected to materially and adversely affect its ability to perform under this Guarantee; and
 - (f) there is no bankruptcy, insolvency, reorganization, receivership, arrangement or other proceeding pending, or being contemplated by it or, to its knowledge, threatened against it.

12. **Covenants.** The Guarantor hereby covenants and agrees with Canadian Natural that:
- (a) it will, and will cause the Contractor, to maintain its corporate existence in good standing under the laws of its jurisdiction of incorporation and register and qualify and remain registered and qualified as a corporation authorized to carry on business under the laws of each jurisdiction in which the performance of its obligations under the Contract could reasonably be expected to require such registration or qualification;
 - (b) Guarantor shall maintain, directly or indirectly, through one or more intermediaries, beneficial control of the voting securities of the Contractor through the term of the Contract;
 - (c) the Guarantor shall not, nor shall it permit the Contractor to, enter into any transaction whereby all or a material part of its undertaking, property and assets would become the property of another Person or by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise without the prior written consent of Canadian Natural first had and obtained;
 - (d) the Guarantor shall promptly notify Canadian Natural in writing upon acquiring knowledge that a Default relating to the Contractor has occurred; and
 - (e) the Guarantor shall deliver to Canadian Natural, within 120 days after the end of each fiscal year of the Guarantor, its audited annual financial statements and, within 60 days after the end of the first three fiscal quarters of its fiscal year, its unaudited quarterly financial statements certified by its chief financial officer.

13. **Severability.** If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision shall be deemed to be severable and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
14. **Successor and Assigns.** This Guarantee shall enure to the benefit of the successors and assigns of Canadian Natural and shall be binding upon the successors and assigns of the Guarantor, all without further document, deed, act or formality.
15. **Assignment.** Canadian Natural may (but shall not be required to, in order for this Guarantee to be enforceable by the assignee) (i) assign the benefit of this Guarantee to a Person who becomes an owner of an undivided interest in the Project or which acquires all or any part of Canadian Natural's interest (to the extent of the interest assigned) in the Project, or (ii) assign by way of security or otherwise create a security interest in this Guarantee in favour of a lender or lenders to it, in which case the Guarantor shall, upon request by Canadian Natural, concurrently with the assignment by Canadian Natural to the assignee, execute and deliver to the assignee a guarantee in the same form as this Guarantee naming the assignee as a beneficiary of this Guarantee (to the extent of the interest assigned) or, in the case of the grant of a security interest herein, provide a confirmation to any such lender or its agent of its entitlement to the benefits hereof upon the enforcement of such security interest. This Guarantee shall continue to apply to any remaining Guaranteed Obligations to Canadian Natural and to any Guaranteed Obligations to any other Owner of an undivided interest in the Project without further deed, act or formality.

The Guarantor shall not be entitled to assign this Guarantee or in any manner assign or delegate any of its responsibilities or obligations hereunder, without the prior written consent of Canadian Natural, which consent may be arbitrarily or unreasonably withheld.

16. **Governing Law.** This Guarantee shall be construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract. The Guarantor irrevocably consents and submits to the non-exclusive jurisdiction of the courts of the Province of Alberta with respect to all matters relating to this Guarantee.
17. **Costs.** The Contractor shall pay all costs, expenses and fees including, without limitation, legal fees on a solicitor and his own client basis, technical fees and accounting fees which may be incurred by Canadian Natural in enforcing or attempting to enforce this Guarantee following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.
18. **Taxes.** Any amount that becomes due and payable hereunder by Guarantor shall be paid by the Guarantor to Canadian Natural on a net basis, exclusive of all such Taxes as may be applicable.
19. **Evidence of Accounts.** Any account settled between Canadian Natural and the Contractor shall be accepted by the Guarantor as *prima facie* evidence that the amount thereby appearing due by the Contractor to Canadian Natural is so due.
20. **Set-off.** No set-off, counterclaim, reduction or diminution of any obligation, or any defence of any kind or nature which the Guarantor has or may have against Canadian Natural, the Contractor or any other Person shall be available hereunder to the Guarantor to reduce the payments to Canadian Natural under this Guarantee.
21. **Reinstatement.** If, at any time, all or any part of any payment made or value received and previously applied by Canadian Natural to any Guaranteed Obligation is or must be rescinded or returned by Canadian Natural for any reason whatsoever (including without limitation, the insolvency, bankruptcy or reorganization of the Contractor or the Guarantor) this Guarantee and such Guaranteed Obligation will be deemed to have continued in existence and this Guarantee and such Guaranteed Obligation will continue to be effective or will be reinstated, as the case may be, all as though such application by Canadian Natural had not occurred.



22. **Stay of Payment or Performance.** If the payment or performance of any Guaranteed Obligation is stayed, prohibited or otherwise affected by the insolvency, bankruptcy, reorganization or winding up of the Contractor, or any moratorium affecting the payment or performance of any Guaranteed Obligation, such payment or performance will nevertheless be deemed for all purposes of this Guarantee to be and become payable and performable by the Contractor and shall be payable or performable, as the case may be, by the Guarantor hereunder forthwith on demand by Canadian Natural.
23. **Contractual Currency.** All payments by the Guarantor hereunder shall be made in immediately available funds forthwith upon demand as herein provided in the currency in which the particular Guaranteed Obligation was incurred (the "**Contractual Currency**"). Any obligation of the Guarantor to make payment under this Guarantee in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency due in respect of this Guarantee, the Guarantor will immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the short fall.

If any judgment or order expressed in a currency other than the Contractual Currency is rendered:

- (a) for the payment of any amount owing by the Guarantor in respect of this Guarantee; or
- (b) in respect of a judgement or order of another court for the payment of any amount described in clause (a) above,

Canadian Natural, after recovery in full of the aggregate amount to which it is entitled pursuant to the judgment or order, will be entitled to receive immediately from the Guarantor the amount of any short fall of the Contractual Currency received by Canadian Natural as a consequence of sums paid in such other currency. The obligation to pay an additional amount in accordance with the foregoing will be enforceable as a separate and independent cause of action for the purpose of recovery in the Contractual Currency of such additional amount, will apply notwithstanding any indulgence granted by Canadian Natural and will not be affected by judgment being obtained for any other sums due in respect of this Guarantee.

24. **Jury Trial Waiver.** THE GUARANTOR, AND BY ITS ACCEPTANCE OF THE BENEFITS HEREOF, CANADIAN NATURAL, HEREBY AGREE TO WAIVE ALL RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTEE OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND RELATE TO THE SUBJECT MATTER OF THIS GUARANTEE INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS.
25. **Entire Agreement.** This Guarantee constitutes the entire agreement of the Guarantor with respect to the matters set forth herein and supercedes all oral statements and prior writings with respect thereto.

DATED as of the **5th of March, 2014.**

Pacer Construction Holdings Corporation

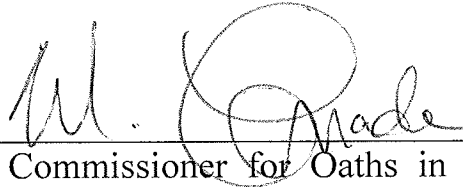
Per:  _____

Per:  _____

Richard Pelletier, P.Eng.
President & CEO

**This is EXHIBIT "I" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec





November 7, 2014

By e-mail

PACER PROMEC ENERGY CORPORATION
200, 1040 7th Avenue, S.W.
Calgary, AB T2P 3G3

CONSTRUCTION PROMEC INC.
347, rue Aimé-Vincent
Vaudreuil-Dorion, Qc J7V 5V5

Attention of Mr. Richard Pelletier, President

Attention of Mr. Peter Capkun, President

PACER CONSTRUCTION HOLDINGS
CORPORATION
1105 7th Avenue, S.W.
Calgary, AB T2P 1B2

Attention of Mr. Richard Pelletier, President

Re : Defaults of Pacer Promec Energy Corporation (the "Borrower") under the terms and conditions of that certain credit agreement dated as of May 23rd, 2014 (as amended or renewed the "Credit Agreement")
Our file: 704367-468748

Gentlemen:

Reference is made to the Credit Agreement and to the Solidary Guarantees entered into by each of Construction Promec Inc. ("**Promec**") and Pacer Construction Holdings Corporation ("**Pacer**") in favour of National Bank of Canada (the "**Bank**").

The present follows the Bank's review of the Borrower's unaudited financial statements for the period having ended September 30, 2014 (the "**September Statement**"). The present also follows conversations and meetings held with Mr. Paul Lafrenière, Chief Operating Officer of Promec regarding the present financial situation.

For the reasons hereinafter detailed, the Bank is dissatisfied and concerned with the Borrower's present financial situation and has decided to transfer management of this loan facility to its Special Loans Unit, to the attention of the undersigned. The Bank's review of the September Statement reveals that:

- as at September 30, 2014, the Borrower accumulated net operating losses in an amount of \$16,231,613 on a consolidated basis;
- the Borrower is in default under the terms of the Credit Agreement insofar as it does not meet the financial ratio covenants set forth at section 13.1.1 (Total Debt to Capitalization Ratio), 13.1.2 (Fixed Charge Coverage Ratio) and 13.1.3 (Current Ratio) of the Credit Agreement (such defaults are hereinafter referred to as the "**Defaults**").

The Bank's concerns about the Borrower's present financial situation also stem from the fact that use of the revolving credit facility (Facility 1) made available under the Credit Agreement has significantly increased over the course of the last month, from an amount of \$16,588,250 to present use of \$26,088,250. In addition, Borrowing Base in respect to the revolving credit facility is in the amount of \$26,478,000 as at September 30, 2014, thus limiting availability of the revolving credit facility to an amount of \$389,750 at present.

In light of the above, it is essential and urgent that the Borrower's shareholders proceed to necessary injections of capital or subordinated debt to enable the Borrower to continue its normal course operations and remedy the Defaults. We remind you of the unequivocal undertakings of Promec and Pacer in this regard, as reflected in clause 9.1.4 of the Credit Agreement and in the Guarantee and Subordination Agreement entered into by each of Promec and Pacer on May 23rd, 2014.

It is also essential and urgent that the Borrower forward to the Bank its weekly cash flow projections for the period ending March 31st, 2015. The Bank will appoint a consultant, at the Borrower's costs, to review the requested financial information and validate the Bank's security position. We will appreciate that the requested financial information be forwarded to the undersigned no later than the end of business on November 12, 2014.

It is essential to the Bank's continued support that the Borrower and its representatives collaborate with the Bank's consultant and provide same with all financial information to be requested in the context of the execution of the consultant's mandate.

In the interval, the Bank expressly reserves all of its rights and recourses resulting from the Defaults.

We look forward to your timely collaboration and remain,

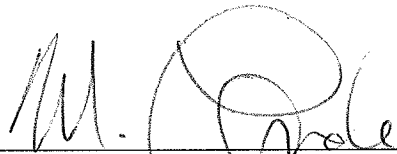
Yours very truly,

NATIONAL BANK OF CANADA


Benoit Blais, Senior Manager
Special Loans Unit

**This is EXHIBIT "J" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



-----Message d'origine-----

De : Bhaskar Bhowmick [<mailto:bhaskar.bhowmick@pacerpromec.com>]

Envoyé : 23 janvier 2015 10:58

À : Paul Lafreniere Promec

Objet : FW: TFL cheque

FYI

Bhaskar Bhowmick, CA. PMP.
Vice President - Finance
Pacer Promec Energy Corporation (PPEC)
Suite 200, 1040 - 7th Ave SW
Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013

fax | 587.352.5257

email | bhaskar.bhowmick@pacerpromec.com website | www.pacerpromec.com

-----Original Message-----

From: Joel Thompson [<mailto:joel.thompson@pacercorp.com>]

Sent: January-23-15 8:51 AM

To: Bhaskar Bhowmick; Wendy Sorge

Subject: TFL cheque

Bhaskar,

Can you issue the \$2M cheque to TFL we discussed and walk it to Wendy this morning.

Wendy, once received, please have someone take it to the bank for deposit ASAP.

Regards,
Joel Thompson

**This is EXHIBIT "K" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



De : Paul Lafrenière [mailto:plafreniere@promec.ca]

Envoyé : 23 janvier 2015 11:34

À : 'Richard Pelletier'; Peter Capkun

Cc : 'Joel Thompson (Forward)'; 'Bhaskar Bhowmick'

Objet : PPEC Cash-flow

Good day all,

Reviewing PPEC weekly cash-flow, here are my comments :

- If PPEC got \$8M during the week of December 21 and is getting another \$8M today, and of those \$6,3M are related to S6000 and BTU. Normally PPEC would need to bring the National Bank account down. If not, as forecasted by EY to the Bank, their position will seriously deteriorate (as we are not replenishing with new AR), and the Bank will definitely not accept this.
 - what are we going to tell them ?
 - when are we going to answer their letter ?
 - what will PPEC propose ?

The usage of the Bank securities, the AR from s6000, BTU, MLMR and Kearn should go to reduce National Bank account. If not Promec has a serious problem with the usage of funds and object to it.

- The DAS \$970,336, old one, still remain unpaid, this is a super priority to anyone security including the Bank and a Directors responsibilities, when is PPEC proposing to pay these ? one would expect with \$16M in collections that PPEC management would put this payment as a top priority !
- PPEC is still spending north of \$10M per month, while revenue from N5000, R51 and GRU is a lot less ! we were told that some reduction on these projects were occurring, have they materialise ?
- This cash-flow reflect a shortfall or need for cash injection of \$5M for the 10 week period ending April 4, 2015, without any payment to National Bank ! this will never be acceptable to National Bank !

We need to develop our strategy and communication to National Bank.
When can we talk ?

Tx
Paul

Paul Lafreniere CPA, CA
Vice-président, opérations

Construction Promec inc.
346 Aimé-Vincent
Vaudreuil Québec J7V 5V5
450 510 5420 ext 429

plafreniere@promec.ca
<http://www.promec.ca>

De : Bhaskar Bhowmick [<mailto:bhaskar.bhowmick@pacerpromec.com>]

Envoyé : 23 janvier 2015 10:58

À : Paul Lafreniere Promec

Objet : RE: Credit Notes

Hi Paul,

PPEC received \$ 8 mil before Christmas. This cash flow, which is yesterday's , has the "actuals by the week" columns which are hidden. If you unhide the columns it will show how the funds were utilized.

We will receive the 2nd \$8 mil today. It is not yet in the bank.

Tx,

Bhaskar Bhowmick, CA. PMP.
Vice President - Finance

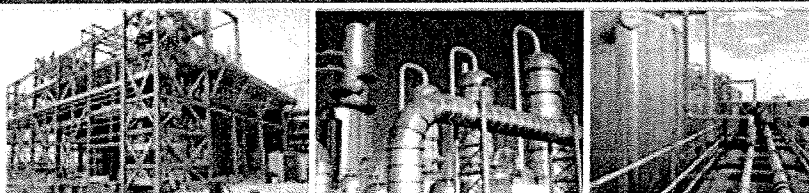
Pacer Promec Energy Corporation (PPEC)
Suite 200, 1040 - 7th Ave SW
Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013

fax | 587.352.5257
email | bhaskar.bhowmick@pacerpromec.com
website | www.pacerpromec.com


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 Please consider the environment before printing this email.

From: Paul Lafrenière [<mailto:plafreniere@promec.ca>]
Sent: January-23-15 8:49 AM
To: Bhaskar Bhowmick
Subject: RE: Credit Notes

Hi Bhaskar

Did PPEC get \$8M late December and another \$8M yesterday ?

Tx
Paul

Paul Lafreniere CPA, CA
Vice-président, opérations

Construction Promec inc.
346 Aimé-Vincent
Vaudreuil Québec J7V 5V5
450 510 5420 ext 429

plafreniere@promec.ca
<http://www.promec.ca>

De : Bhaskar Bhowmick [<mailto:bhaskar.bhowmick@pacerpromec.com>]
Envoyé : 23 janvier 2015 10:41
À : Joel Thompson (Forward); Paul Lafreniere Promec
Cc : Richard Pelletier Pacer; Bill McDougall; Brent Sherfey
Objet : FW: Credit Notes

Hi Joel,
Just re-iterating our discussion of yesterday evening regarding the fund received from CNRL and subsequent payment plans.

CNRL has deducted approx.. \$ 3 mil (details as per my email below). In effect they have paid us \$ 11 mil + but we got \$ 8 mil in hand. Thus we will not be getting that \$ 3 mil from the next weeks payment from CNRL. I have asked them for the details of the deduction and we will reconcile them.

PPEC critical vendor payments have now swelled up to \$2.5 mil. Last time PPEC paid its vendors was before Christmas. PPEC will also have to pay \$2 mil to TFL which was not factored in the cashflow before. In addition, it has to pay for source deductions, refund the bridge loan and other regular payments.

What I am trying to say is that, PPEC will again come back to Pacer for cash very soon.

Two ways to mitigate that situation.

- Settle with Krupp quickly and
- Expedite future payments from CNRL.

Both the projects (R100 & N5000) are ramping up their man power under new recovery plan and they will use any excuse to blame anyone or anything for further delay.

We will have to make sure that critical vendors are paid so that they do not put PPEC on hold.

I will send you a new Cash flow Statement later today.

Tx,

Bhaskar Bhowmick, CA. PMP.

Vice President - Finance

Pacer Promec Energy Corporation (PPEC)

Suite 200, 1040 - 7th Ave SW

Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013

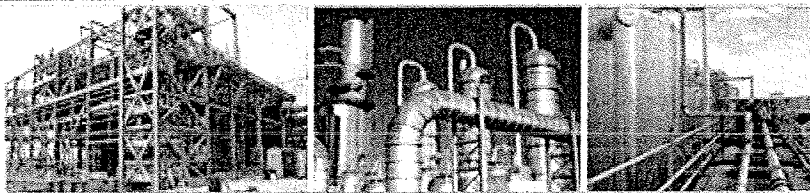
fax | 587.352.5257

email | bhaskar.bhowmick@pacerpromec.com

website | www.pacerpromec.com


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 Please consider the environment before printing this email.

From: Bhaskar Bhowmick

Sent: January-22-15 1:46 PM

To: 'Joel Spetz'

Cc: AJ Carter; Joel Thompson; 'Colleen Flamont'

Subject: Credit Notes

Hi Joel,

CNRL has deducted the following Credit Notes:

Credit Note Number 2102423PANAR	21-Nov-14	-53812.50
Mutually Defined		
Description: PAN Air Inv Aug 2014		
Credit Note Number 2102424PANAR	21-Nov-14	-551906.70
Mutually Defined		
Description: PAN Camp Inv July-Aug 2014		
Credit Note Number 2102425PANAR	21-Nov-14	-6388.20
Mutually Defined		
Description: PAN TRNG Jun 2014 Inv		
Credit Note Number 2102549PANAR	13-Jan-15	-733782.00
Mutually Defined		
Description: PAN Air Oct/Nov 2014		
Credit Note Number 2102550PANAR	13-Jan-15	-1309996.74
Mutually Defined		
Description: PAN Camp Oct/Nov 2014		
Credit Note Number 2102551PANAR	13-Jan-15	-4473.00
Mutually Defined		

Can you send us the copies of these Credit Notes and the supporting documents please. I have problem with Credit Note # 2102549PANAR and # 2102550PANAR totalling \$2,043,778.74. To the best of my knowledge, we do not have any such dues, but I would still like to reconfirm. Thank you for your help.

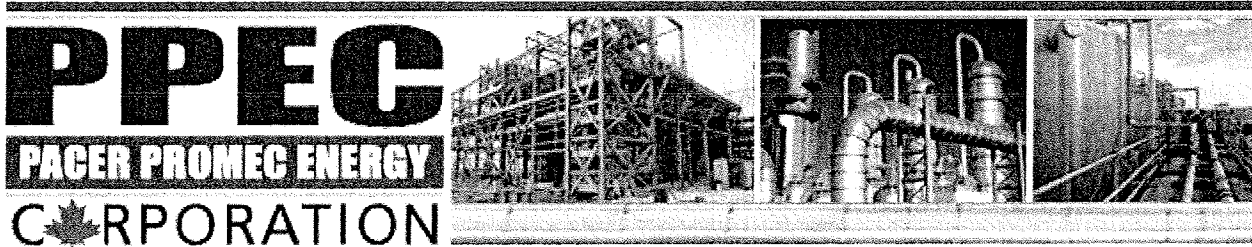
Best Regards,

Bhaskar Bhowmick, CA. PMP.
Vice President - Finance

Pacer Promec Energy Corporation (PPEC)
Suite 200, 1040 - 7th Ave SW
Calgary, Alberta, Canada T2P 3G9

office | 587.352.5251 ext. 1013
fax | 587.352.5257
email | bhaskar.bhowmick@pacerpromec.com
website | www.pacerpromec.com

EXPERIENCE AND KNOW-HOW AT YOUR SERVICE



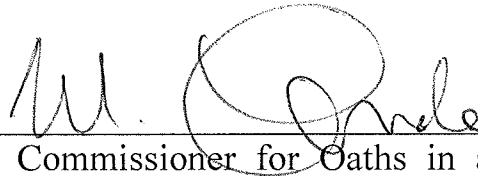
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**This is EXHIBIT "L" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



February 12, 2015

By e-mail

Board of Director
c/o Richard Pelletier, President
PACER PROMEC ENERGY CORPORATION
1105 7th Avenue SW
Calgary, Alberta T2P 1B2

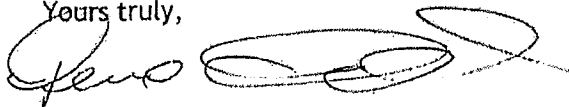
RE: Resignation of director's position

Dear Sir:

The present will serve as a formal notice of the undersigned's resignation of its position as Director of Pacer Promec Energy Corporation.

Such resignation is effective as of the date hereof.

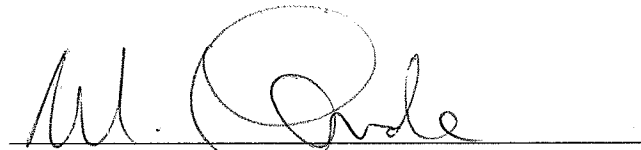
Yours truly,

A handwritten signature in black ink, appearing to read 'Peter Capkun', with a large, stylized flourish extending to the right.

Peter Capkun

**This is EXHIBIT "M" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015

A handwritten signature in cursive script, appearing to read "M. Laprade", is written over a horizontal line.

A Commissioner for Oaths in and for the
Province of Québec



Télécopie/Facsimile

Le 18 février 2015

CM# 704367-468748
TKID. 0612

Nombre de pages incluant
la page couverture.

7

Total number of pages
including cover sheet

Nom/Name	Société/Firm.	Téléphone/Telephone	Télécopieur/Facsimile
Dest./To: M. Richard Pelletier	Pacer Promec Energy Corporation		587-352-5257
Nom/Name		Telephone/Telephone	Telecopieur/Facsimile
Exp./From: Mason Poplaw		(514) 397-4155	(514) 875-6246

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mccarthy tetrauit LLP
Suite 2500
1000 De La Gauchetière Street West
Montreal QC H3B 0A2
Canada
Tel 514-397-4100
Fax 514-875-8246

Mason Poplaw
Direct Line: (514) 397-4155
Direct Fax: (514) 875-8246
Email: mpoplaw@mccarthy.ca

Assistant: Lévy, Conception
Direct Line: (514) 875-1842
Email: clevy@mccarthy.ca

February 18, 2015

BY FACSIMILE AND COURIER

Richard Pelletier
President
PACER PROMEC ENERGY CORPORATION
1040 - 7th Ave SW, Suite 200
Calgary, Alberta
T2P 3G3

Re: Demand of Payment and Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act*

Dear Sir,

We refer you to the credit facilities made available by the National Bank of Canada ("**NBC**") to Pacer Promec Energy Corporation (the "**Borrower**") pursuant to the Credit Agreement entered into on May 23, 2014 between the Borrower and Construction Promec Inc. ("**Promec**") and Pacer Construction Holdings Corporation ("**Pacer**" and collectively with Promec, the "**Guarantors**"), as guarantors, and NBC, as Lender, as amended, supplemented or renewed (the "**Credit Agreement**").

We also refer you to our letter dated November 7, 2014 whereby NBC has formally advised the Borrower of the occurrence of defaults under the Credit Agreement insofar as

- the Borrower did not meet the financial ratio covenants set forth at sections 13.1.1 (Total Debt to Capitalization Ratio), 13.1.2 (Fixed Charge Coverage Ratio) and 13.1.3 (Current Ratio) of the Credit Agreement,
- the revised cash-flows and projected Borrowing Base calculation, dated January 30, 2015, for the period ending May 2nd, 2015, submitted by the Borrower, confirmed that the Borrower was in a margin deficiency of more than \$16 million, as at the week ending January 31, 2015, and that such margin deficiency, ranging from \$5.1 million to \$17.1 million, would continue through the end of April 2015,

(such defaults are hereinafter referred to collectively as the "**Continuing Defaults**")

As highlighted by our letters dated January 19, 2015, February 4, 2015 and February 11, 2015, the Continuing Defaults have not been cured and are continuing as of February 18, 2015 despite NBC's formal request that Pacer and Promec remedy such Default by injecting in or making advances to the Borrower (by way of equity or Subordinated Debt) to cover any Borrowing Base deficit or any overdraft as expressly set out by section 9.1.4 of the Credit Agreement and section 2.2 of the Guarantee and Subordination Agreement entered into by each of the Guarantors and NBC on May 23rd, 2014 (the "**Guarantee**").

As at February 18, 2015, the amount owed to NBC by the Borrower is \$26,043,421.37 in principal and interests (the aforementioned amount as it may fluctuate in the future and subject to adjustments as the case may be, along with interest accrued and to accrue, fees costs and expenses incurred and to be incurred by NBC are hereinafter collectively referred to as the "Debt")

In order to secure its obligations towards NBC under the Credit Agreement, the Borrower notably granted to NBC the following security (collectively, the "Security") :

- (a) Set-off and Security Agreement with respect to deposits granted by the Borrower in favour of NBC dated April 9, 2014 on the sums which now are or may in the future be to the account number 559039425261 and branch 10251 of NBC, this account and any other account in substitution therefor, up to the amount of \$150,000, for an amount of \$180,000 (including an additional hypothec of 20%) with interest at the rate of 25% per annum and registered at the Register of Personal and Movable Real Rights ("RPMRR") on April 15, 2014 under number 14-0311999-0007;
- (b) Movable hypothec granted by the Borrower in favour of NBC dated May 23, 2014, on the universality of its movable property, corporeal and incorporeal, present and future, of any nature whatsoever and wherever situated, for an amount of \$48,000,000 with interest at the rate of 25% per annum and registered at the RPMRR on May 28, 2014 under number 14-0469469-0001;
- (c) Security Agreement by the Borrower in favour of NBC dated May 23, 2014, on present and after-acquired personal property of the Borrower, registered at the Personal Property Registry (Alberta) on May 23, 2014 under number 14052332978 (control #: F03191794) and as Land charge on May 23, 2014 under number 14052332997 (control #: F03191797)

As a result of the Continuing Defaults, the Borrower is currently in default under the Credit Agreement as: (i) the Borrower does not meet the financial ratio covenants set forth at sections 13.1.1 (Total Debt to Capitalization Ratio), 13.1.2 (Fixed Charge Coverage Ratio) and 13.1.3 (Current Ratio) of the Credit Agreement and (ii) the Borrowing Base deficit is currently estimated at \$12.9 million and the Guarantors have refused or neglected to cover such deficit by equity injection in the Borrower or Subordinated Debt and (iii) you have advised us that there is a deadlock as amongst Promec and Pacer with respect to the management of the Borrower and the curing of the Continuing Defaults. You have further advised us that, as a result of said deadlock, the representative of Promec appointed to the board of directors of the Borrower has resigned which raise important corporate governance issues and prevents the Borrower from taking decisions with regard to the Continuing Defaults. Said deadlock and the corporate governance issue it entails constitute a Material Adverse Change as set forth at section 15.1.10 of the Credit Agreement and (iv) the Guarantors have refused or neglected to comply with NBC's formal request of February 4, 2015 made pursuant to section 2.2 of the Guarantee (collectively, with the Continuing Defaults, the "Defaults").

As provided for by section 6.1 of the Credit Agreement, NBC is entitled to request the payment of any and all outstanding amount under Facility 1 (as defined in the Credit Agreement) and, in addition to the Default, NBC is relying on its right to formally request the repayment of the Debt at any time

In light of the Defaults, NBC hereby formally advises the Borrower that it terminates the Borrower's right to use the credits facilities available under the Credit Agreement and requests payment of the Debt on or before **March 2, 2015**.

In the event that the Borrower does not pay all outstanding amounts to NBC prior to March 2, 2015, NBC has instructed us to initiate any and all proceedings authorized or permitted by law for the recovery of payment of the Debt, including the enforcement of NBC's rights over the assets charged by the Security. Furthermore, NBC expressly reserves its rights to proceed with enforcement of its rights and remedies under the Security at any time, including any interim measures that may be undertaken by NBC to preserve its rights, without further notice to you.

We are enclosing a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*.

DO GOVERN YOURSELF ACCORDINGLY.

Yours truly,

McCarthy Tétrault LLP

Mason Poplaw

MP

Attachment: Notice of Intention to Enforce Security

cc: Richard Pelletier, Pacer Construction Holdings Corporation
Perter Capkun, Construction Promec Inc.
Denis René, Construction Promec Inc.

NOTICE OF INTENTION TO ENFORCE SECURITY
[Section 244(1); Rule 124]

TO: **PACER PROMEC ENERGY CORPORATION**
1040 - 7th Ave SW, Suite 200
Calgary, Alberta
T2P 3G3
(the "Debtor")

TAKE NOTICE THAT:

1. National Bank of Canada ("NBC"), the secured party, intends to enforce its security on the property described below:
 - a) *"the sums which now are or may in the future be to the account number 559039425261 and branch 10251 of [NBC], this account and any other account in substitution therefor";*
 - b) *"the universality of [the Debtor] movable property, corporeal and incorporeal, present and future, of any nature whatsoever and wherever situated";*
 - c) *"all of the property, assets, effects and undertaking of [the Debtor] whether now owned or hereafter acquired and all of the property, assets, effects and undertakings in which [the Debtor] now has or hereafter acquires any interest";*

2. The security that is to be enforced is the following:
 - a) In respect of the property listed in paragraph 1(a) above, a Set-off and Security Agreement with respect to deposits granted by the Debtor in favour of NBC dated April 9, 2014 on the sums which now are or may in the future be to the account number 559039425261 and branch 10251 of NBC, this account and any other account in substitution therefor, up to the amount of \$150,000, for an amount of \$180,000 (including an additional mortgage of 20%) with interest at the rate of 25% per annum and registered at the Register of Personal and Movable Real Rights ("RPMRR") on April 15, 2014 under number 14-0311999-0007;
 - b) In respect of the property listed in paragraph 1(b) above, a movable hypothec granted by the Debtor in favour of NBC dated May 23, 2014, on the universality of its movable property, corporeal and incorporeal, present and future, of any nature whatsoever and wherever situated, for an amount of \$48,000,000 with interest at the rate of 25% per annum and registered at the RPMRR on May 28, 2014 under number 14-0469469-0001
 - c) In respect of the property listed in paragraph 1(c) above, a Security Agreement by the Debtor in favour of NBC dated May 23, 2014, on present and after-acquired personal property of the Debtor, registered at the Personal Property Registry (Alberta) on May 23, 2014 under number 14052332978 (control #: F03191794) and

as Land charge on May 23, 2014 under number 14052332997 (control #: F03191797)

(collectively, the "**Security**").

3. The total amount of indebtedness secured by the Security as of **February 18, 2015** is \$26,043,421.37 in principal and interests (the aforementioned amount as it may fluctuate in the future and subject to adjustments as the case may be, along with interest accrued and to accrue, fees costs and expenses incurred and to be incurred by NBC are hereinafter collectively referred to as the "**Debt**").
4. NBC will not have the right to enforce the security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

Dated at Montréal, Québec, this 18th day of February, 2015.

McCarthy Tétrault LLP, attorneys of
National Bank of Canada

CONSENT TO EARLIER ENFORCEMENT OF SECURITY

Pacer Promec Energy Corporation ("PPEC") hereby acknowledges receipt of the Notice of Intention to Enforce Security issued by National Bank of Canada and dated February 18, 2015 (the "Notice").

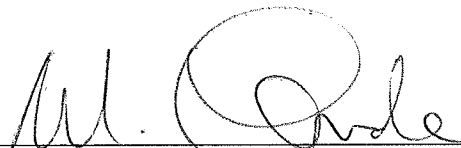
PPEC hereby consents to earlier enforcement of the Security (as defined in the Notice) in accordance with section 244(2) of the *Bankruptcy and Insolvency Act* (Canada).

**PACER PROMEC ENERGY
CORPORATION**

Per : _____

**This is EXHIBIT "M" referred to in the
Affidavit of Mr. PAUL LAFRENIÈRE**

Sworn before me this 29 day of April, 2015



A Commissioner for Oaths in and for the
Province of Québec



Télécopie/Facsimile

Le 18 février 2015

CM# 704367-468748
TKID. 0612

Nombre de pages incluant
la page couverture.

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Total number of pages
including cover sheet

Nom/Name	Société/Firm.	Téléphone/Telephone	Télécopieur/Facsimile
Dest./To: M. Richard Pelletier	Pacer Promec Energy Corporation		587-352-5257
Nom/Name		Telephone/Telephone	Telecopieur/Facsimile
Exp./From: Mason Poplaw		(514) 397-4155	(514) 875-6246

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MCCarthy Tetrauit LLP
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Montreal QC H3B 0A2
Canada
Tel: 514-397-4100
Fax: 514-875-6246

Mason Poplaw
Direct Line: (514) 397-4155
Direct Fax: (514) 875-6246
Email: mpoplaw@mccarthy.ca

Assistant: Levy, Conception
Direct Line: (514) 875-1842
Email: clevy@mccarthy.ca

February 18, 2015

BY FACSIMILE AND COURIER

Richard Pelletier
President
PACER PROMEC ENERGY CORPORATION
1040 - 7th Ave SW, Suite 200
Calgary, Alberta
T2P 3G3

Re: Demand of Payment and Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act*

Dear Sir,

We refer you to the credit facilities made available by the National Bank of Canada ("**NBC**") to Pacer Promec Energy Corporation (the "**Borrower**") pursuant to the Credit Agreement entered into on May 23, 2014 between the Borrower and Construction Promec Inc. ("**Promec**") and Pacer Construction Holdings Corporation ("**Pacer**" and collectively with Promec, the "**Guarantors**"), as guarantors, and NBC, as Lender, as amended, supplemented or renewed (the "**Credit Agreement**").

We also refer you to our letter dated November 7, 2014 whereby NBC has formally advised the Borrower of the occurrence of defaults under the Credit Agreement insofar as

- the Borrower did not meet the financial ratio covenants set forth at sections 13.1.1 (Total Debt to Capitalization Ratio), 13.1.2 (Fixed Charge Coverage Ratio) and 13.1.3 (Current Ratio) of the Credit Agreement,
- the revised cash-flows and projected Borrowing Base calculation, dated January 30, 2015, for the period ending May 2nd, 2015, submitted by the Borrower, confirmed that the Borrower was in a margin deficiency of more than \$16 million, as at the week ending January 31, 2015, and that such margin deficiency, ranging from \$5.1 million to \$17.1 million, would continue through the end of April 2015,

(such defaults are hereinafter referred to collectively as the "**Continuing Defaults**")

As highlighted by our letters dated January 19, 2015, February 4, 2015 and February 11, 2015, the Continuing Defaults have not been cured and are continuing as of February 18, 2015 despite NBC's formal request that Pacer and Promec remedy such Default by injecting in or making advances to the Borrower (by way of equity or Subordinated Debt) to cover any Borrowing Base deficit or any overdraft as expressly set out by section 9.1.4 of the Credit Agreement and section 2.2 of the Guarantee and Subordination Agreement entered into by each of the Guarantors and NBC on May 23rd, 2014 (the "**Guarantee**").

As at February 18, 2015, the amount owed to NBC by the Borrower is \$26,043,421.37 in principal and interests (the aforementioned amount as it may fluctuate in the future and subject to adjustments as the case may be, along with interest accrued and to accrue, fees costs and expenses incurred and to be incurred by NBC are hereinafter collectively referred to as the "Debt")

In order to secure its obligations towards NBC under the Credit Agreement, the Borrower notably granted to NBC the following security (collectively, the "Security") :

- (a) Set-off and Security Agreement with respect to deposits granted by the Borrower in favour of NBC dated April 9, 2014 on the sums which now are or may in the future be to the account number 559039425261 and branch 10251 of NBC, this account and any other account in substitution therefor, up to the amount of \$150,000, for an amount of \$180,000 (including an additional hypothec of 20%) with interest at the rate of 25% per annum and registered at the Register of Personal and Movable Real Rights ("RPMRR") on April 15, 2014 under number 14-0311999-0007;
- (b) Movable hypothec granted by the Borrower in favour of NBC dated May 23, 2014, on the universality of its movable property, corporeal and incorporeal, present and future, of any nature whatsoever and wherever situated, for an amount of \$48,000,000 with interest at the rate of 25% per annum and registered at the RPMRR on May 28, 2014 under number 14-0469469-0001;
- (c) Security Agreement by the Borrower in favour of NBC dated May 23, 2014, on present and after-acquired personal property of the Borrower, registered at the Personal Property Registry (Alberta) on May 23, 2014 under number 14052332978 (control #: F03191794) and as Land charge on May 23, 2014 under number 14052332997 (control #: F03191797)

As a result of the Continuing Defaults, the Borrower is currently in default under the Credit Agreement as: (i) the Borrower does not meet the financial ratio covenants set forth at sections 13.1.1 (Total Debt to Capitalization Ratio), 13.1.2 (Fixed Charge Coverage Ratio) and 13.1.3 (Current Ratio) of the Credit Agreement and (ii) the Borrowing Base deficit is currently estimated at \$12.9 million and the Guarantors have refused or neglected to cover such deficit by equity injection in the Borrower or Subordinated Debt and (iii) you have advised us that there is a deadlock as amongst Promec and Pacer with respect to the management of the Borrower and the curing of the Continuing Defaults. You have further advised us that, as a result of said deadlock, the representative of Promec appointed to the board of directors of the Borrower has resigned which raise important corporate governance issues and prevents the Borrower from taking decisions with regard to the Continuing Defaults. Said deadlock and the corporate governance issue it entails constitute a Material Adverse Change as set forth at section 15.1.10 of the Credit Agreement and (iv) the Guarantors have refused or neglected to comply with NBC's formal request of February 4, 2015 made pursuant to section 2.2 of the Guarantee (collectively, with the Continuing Defaults, the "Defaults").

As provided for by section 6.1 of the Credit Agreement, NBC is entitled to request the payment of any and all outstanding amount under Facility 1 (as defined in the Credit Agreement) and, in addition to the Default, NBC is relying on its right to formally request the repayment of the Debt at any time

In light of the Defaults, NBC hereby formally advises the Borrower that it terminates the Borrower's right to use the credits facilities available under the Credit Agreement and requests payment of the Debt on or before **March 2, 2015**.

In the event that the Borrower does not pay all outstanding amounts to NBC prior to March 2, 2015, NBC has instructed us to initiate any and all proceedings authorized or permitted by law for the recovery of payment of the Debt, including the enforcement of NBC's rights over the assets charged by the Security. Furthermore, NBC expressly reserves its rights to proceed with enforcement of its rights and remedies under the Security at any time, including any interim measures that may be undertaken by NBC to preserve its rights, without further notice to you.

We are enclosing a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*.

DO GOVERN YOURSELF ACCORDINGLY.

Yours truly,

McCarthy Tétrault LLP

Mason Poplaw

MP

Attachment: Notice of Intention to Enforce Security

cc: Richard Pelletier, Pacer Construction Holdings Corporation
Perter Capkun, Construction Promec Inc.
Denis René, Construction Promec Inc.

NOTICE OF INTENTION TO ENFORCE SECURITY
[Section 244(1); Rule 124]

TO: **PACER PROMEC ENERGY CORPORATION**
1040 - 7th Ave SW, Suite 200
Calgary, Alberta
T2P 3G3
(the "Debtor")

TAKE NOTICE THAT:

1. National Bank of Canada ("NBC"), the secured party, intends to enforce its security on the property described below:
 - a) *"the sums which now are or may in the future be to the account number 559039425261 and branch 10251 of [NBC], this account and any other account in substitution therefor";*
 - b) *"the universality of [the Debtor] movable property, corporeal and incorporeal, present and future, of any nature whatsoever and wherever situated";*
 - c) *"all of the property, assets, effects and undertaking of [the Debtor] whether now owned or hereafter acquired and all of the property, assets, effects and undertakings in which [the Debtor] now has or hereafter acquires any interest";*

2. The security that is to be enforced is the following:
 - a) In respect of the property listed in paragraph 1(a) above, a Set-off and Security Agreement with respect to deposits granted by the Debtor in favour of NBC dated April 9, 2014 on the sums which now are or may in the future be to the account number 559039425261 and branch 10251 of NBC, this account and any other account in substitution therefor, up to the amount of \$150,000, for an amount of \$180,000 (including an additional mortgage of 20%) with interest at the rate of 25% per annum and registered at the Register of Personal and Movable Real Rights ("RPMRR") on April 15, 2014 under number 14-0311999-0007;
 - b) In respect of the property listed in paragraph 1(b) above, a movable hypothec granted by the Debtor in favour of NBC dated May 23, 2014, on the universality of its movable property, corporeal and incorporeal, present and future, of any nature whatsoever and wherever situated, for an amount of \$48,000,000 with interest at the rate of 25% per annum and registered at the RPMRR on May 28, 2014 under number 14-0469469-0001
 - c) In respect of the property listed in paragraph 1(c) above, a Security Agreement by the Debtor in favour of NBC dated May 23, 2014, on present and after-acquired personal property of the Debtor, registered at the Personal Property Registry (Alberta) on May 23, 2014 under number 14052332978 (control #: F03191794) and

as Land charge on May 23, 2014 under number 14052332997 (control #: F03191797)

(collectively, the "Security").

3. The total amount of indebtedness secured by the Security as of **February 18, 2015** is \$26,043,421.37 in principal and interests (the aforementioned amount as it may fluctuate in the future and subject to adjustments as the case may be, along with interest accrued and to accrue, fees costs and expenses incurred and to be incurred by NBC are hereinafter collectively referred to as the "Debt").
4. NBC will not have the right to enforce the security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

Dated at Montréal, Québec, this 18th day of February, 2015.

McCarthy Tétrault LLP, attorneys of
National Bank of Canada

CONSENT TO EARLIER ENFORCEMENT OF SECURITY

Pacer Promec Energy Corporation ("PPEC") hereby acknowledges receipt of the Notice of Intention to Enforce Security issued by National Bank of Canada and dated February 18, 2015 (the "Notice").

PPEC hereby consents to earlier enforcement of the Security (as defined in the Notice) in accordance with section 244(2) of the *Bankruptcy and Insolvency Act* (Canada).

**PACER PROMEC ENERGY
CORPORATION**

Per : _____