

Clerk's stamp

Court File Number 1701- 05131  
Court COURT OF QUEEN'S BENCH OF ALBERTA  
Judicial Centre CALGARY  
Applicant PRIVATE EQUITY OAK LP by its General Partner PE12PXPE (OAK) GP LTD.  
Respondents OAK POINT ENERGY LTD., KEMEX LTD., KEMEX TECHNOLOGIES LTD. and 1NSITE TECHNOLOGIES LTD.  
Document AFFIDAVIT OF KATE MALCOLM VOLUME 1 OF 3  
Address for Service and Contact Information of Party Filing this Document STIKEMAN ELLIOTT LLP  
Barristers & Solicitors  
4300 Bankers Hall West,  
888-3rd Street S.W.,  
Calgary, Canada T2P 5C5

CLERK OF THE COURT  
**FILED**  
APR 12 2017  
JUDICIAL CENTRE  
OF CALGARY

Attention: Guy P. Martel / David Price  
gmartel@stikeman.com / dprice@stikeman.com  
Tel: (514) 397-3163 / (403) 266-9093  
Fax: (403) 266-9034

Lawyers for the Applicant, Private Equity Oak LP  
File No.: 125561-1003

### AFFIDAVIT OF KATE MALCOLM

Sworn on April 11, 2017.

I, Kate Malcolm, of Toronto, Ontario SWEAR AND SAY THAT:

1. I am Portfolio Manager of Alberta Investment Management Corporation, and as such I have personal knowledge of the matters hereinafter deposed to except where stated to be based on information and belief and where so stated, I believe the same to be true.
2. I am duly authorized to swear this Affidavit on behalf of Private Equity Oak LP ("PEO").
3. This Affidavit is sworn in support of PEO's application for an order appointing Alvarez & Marsal Canada ULC ("A&M" or the "Proposed Receiver") as receiver of the assets, undertakings and properties of Oak Point Energy Ltd. (the "Borrower") and Kemex Ltd., Kemex Technologies Ltd. and 1nSite Technologies Ltd. (collectively

the “Guarantors” and each a “Guarantor”), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “BIA”) and section 13(2) of the *Judicature Act*, RSA 2000, c J-2, as amended.

#### Overview

4. On or about December 23, 2013, a *Debenture* was issued by the Borrower in favor of the Holder (the “*Debenture*”). Under the terms of the *Debenture*, the Holder agreed to provide the Borrower with a 15.0% senior secured redeemable convertible debenture in the principal amount of twenty million dollars (\$20,000,000) due December 23, 2015 (the “*Initial Maturity Date*”) all on the terms set out in the *Debenture*.
5. The *Debenture* was amended and restated from time to time in order to increase the principal amount to twenty-five million dollars (\$25,000,000) and extend the *Initial Maturity Date* to December 31, 2016.
6. As further described below, in order to secure its indebtedness under the *Debenture*, the Borrower granted to PEO a continuing first priority security interest in and to all of its present and after-acquired property, assets and undertaking, including, without limitation, all of its oil sands leases and intellectual property.
7. On or about September 28, 2015, the Guarantors executed a *Guarantee and Security Agreement* (the “*Guarantee Agreement*”) pursuant to which they agreed to irrevocably and unconditionally guarantee to the Holder the punctual, complete and irrevocable payment when due, and at all times thereafter, of all of the Borrower’s obligations under the *Debenture*. As continuing security for the payment of all of its obligations under the *Guarantee Agreement*, each Guarantor granted to the Holder a security interest over all of their assets including, without limitation, certain intellectual property rights.
8. Due to, *inter alia*, sustained low oil prices, production reductions and curtailments by oil sands producers, and the resulting inability of the Borrower to generate sufficient revenues, the Borrower eventually became insolvent, its directors will imminently or already have resigned, and the borrower ceased operations on or about March 31, 2017.
9. As of March 31, 2017, the Borrower and the Guarantors were indebted to PEO in the amount of \$32,364,420.10, inclusive of capital, interest but excluding fees. Such indebtedness has not been paid and interest and fees continue to accrue.
10. As mentioned, and further set forth in PEO’s Application, PEO seeks from this Court an order appointing A&M as receiver of all of the assets, undertakings and property of the Borrower and Guarantors.
11. It is PEO’s view that the appointment of the Proposed Receiver is just and convenient in the circumstances.

### The Parties

12. PEO is a limited partnership constituted under the laws of the Province of Alberta, having a registered office in Calgary, Alberta.
13. The Borrower and the Guarantors are corporations incorporated under the laws of the Province of Alberta, each having a registered office in Calgary, Alberta.
14. The Borrower and the Guarantors are part of a group of companies which carries on business as an energy service provider specializing in technology solutions for the heavy oil industry.
15. Attached to my Affidavit as **Exhibit "A"** are corporate searches of the Borrower and the Guarantors, dated April 10, 2017.
16. Attached to my Affidavit as **Exhibit "B"** is an organizational chart of the Borrower and the Guarantors.

### The Debenture

17. On or about December 23, 2013, the Debenture was issued by the Borrower in favor of the Holder. Under the terms of the Debenture, the Holder agreed to provide the Borrower with a 15.0% senior secured redeemable convertible debenture in the principal amount of twenty million dollars (\$20,000,000) due on the Initial Maturity Date, all on the terms set out in the Debenture.
18. On or about May 23, 2014, the Debenture was amended and restated in order to, *inter alia*, increase the principal amount to twenty-two million dollars (\$22,000,000) (the "**First Amended and Restated Debenture**") and on or about July 4, 2014, the Debenture was amended and restated in order to, *inter alia*, increase the principal amount to twenty-five million dollars (\$25,000,000) (the "**Second Amended and Restated Debenture**").
19. On or about September 28, 2015, a *Third Amended and Restated Debenture* was entered into between the Holder and the Borrower (The "**Third Amended and Restated Debenture**"). The Third Amended and Restated Debenture provides, *inter alia*, for an extension of the Initial Maturity Date to December 31, 2016.
20. Attached to my Affidavit as **Exhibits "C", "D", "E" and "F"** are true copies of the Debenture, the First Amended and Restated Debenture, the Second Amended and Restated Debenture and the Third Amended and Restated Debenture.

### The Security

21. As security for the payment of all amounts owed to the Holder under the Third Amended and Restated Debenture and all other present and future indebtedness, fees, expenses and other liabilities due by the Borrower to the Holder (collectively, the "**Obligations**"), the Borrower mortgaged and charged and granted to and in favour of the Holder a continuing first priority security interest in and to all of its

present and after-acquired property, assets and undertaking (the "**Borrower Security**") including:

- (a) all of the Borrower's right, title, estate and interest in and to the oil sands leases described in Exhibit "D" to the Third Amended and Restated Debenture and all extensions, renewals replacements or amendments thereto; and
  - (b) all of the Borrower's patents, trademarks, copyrights, industrial designs software, firmware, trade secrets, know-how, show-how, concepts, information and other intellectual and industrial property including the intellectual property rights described in Exhibit "D" to the Third Amended and Restated Debenture.
22. On or about September 28, 2015, the Guarantors executed the Guarantee Agreement pursuant to which they agreed to irrevocably and unconditionally guarantee to the Holder the punctual, complete and irrevocable payment when due, and at all times thereafter, of all of the Borrower's obligations under the Third Amended and Restated Debenture. As continuing security for the payment of all of its obligations under the Guarantee Agreement, each Guarantor granted to the Holder a security interest over, and assigned, mortgaged, charged, hypothecated and pledged all of its property, assets, effects and undertaking, whether owned or after acquired including without limitation, accounts, general intangibles, goods (including inventory, equipment and fixtures), chattel paper, investment property, documents of title, instruments, money, cash and cash equivalents, trade-mark, copyrights, patents, license and other intellectual property or intangibles (the "**Guarantor Security**" and, together with the Borrower Security, the "**Security**").
23. Attached to my Affidavit as **Exhibit "G"** is a true copy of the Guarantee Agreement.
24. The Holder perfected the Security by the following:
- (a) registrations under the *Alberta Personal Property Security Act*, RSA 2000, c P-7; and
  - (b) registrations under the *Alberta Mines and Minerals Act*, RSA 2000, c M-17.
25. PEO has no knowledge of any other creditors of the Borrower that have undertaken any realization proceeding against its assets. The Holder is the only registered secured creditor of the Borrower and Guarantors.
26. Attached to my Affidavit as **Exhibits "H"** and **"I"** are true copies of search results of the Alberta Personal Property Security Registry and the Alberta Mineral Information.



### The Borrower's Defaults and Demands for Repayment

27. On January 26, 2017, the Holder, through its counsel, issued and delivered to the Borrower the following notices (collectively, the "Notices"):
- (a) a demand for repayment of the Obligations in which the Borrower and the Guarantors were advised that an event of default had occurred and was continuing without cure under the Third Amended and Restated Debenture and Guarantee Agreement; and
  - (b) a Notice of Intention to Enforce Security pursuant to Section 244 of the Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended, in which the Borrower and the Guarantors were formally advised that, as a result of the continuing event of default under the Third Amended and Restated Debenture, the Holder intended to enforce its rights pursuant to the Third Amended and Restated Debenture, the Guarantee Agreement and the Security (collectively with any and all agreements, documents and instruments at any time executed or delivered in connection with or related to the Third Amended and Restated Debenture and the Guarantee Agreement, the "Loan Documents").
28. Attached to my Affidavit as **Exhibit "J"** are true copies of the Notices referred to above, with attached proofs of delivery.

### The Indebtedness

29. As at the date hereof, despite the Notices, the Borrower has failed to pay the outstanding indebtedness under the Third Amended and Restated Debenture (the "Indebtedness"), which Indebtedness, including capital, interest, but excluding fees was as follows as at March 31, 2017:

<u>Description</u>	<u>Amount</u>
Convertible Debenture:	\$25,000,000.00
Interest:	\$7,364,420.10
Total:	<hr/> \$32,364,420.10

### The Borrower's Insolvency

30. As set out herein, the Borrower has become insolvent as a result of, *inter alia*, its inability to fulfill its obligations under the Third Amended and Restated Debenture and the Security, including its failure to meet its obligations as they generally become due and ceasing to carry on business.
31. Following the issuance of the Notices, representatives of the Holder, Borrower and Guarantors have had numerous discussions with a view to reaching an agreement

whereby the Holder would forbear from exercising its rights, remedies and recourses for a certain period of time in order to allow the Borrower and the Guarantor to retain a financial advisor to conduct a sale and investment solicitation process in respect of all of their assets.

32. While these discussions were underway, the Holder was advised that, since the month of October 2016 the Borrower had been contemplating and has implemented a licensing arrangement with Nauticol Energy Limited ("Nauticol"), a related entity. Pursuant to this arrangement, the Borrower received \$100,000 in consideration for the granting of a perpetual and irrevocable global license to use/develop/improve intellectual property owned by the Borrower which forms part of the Security. Attached to my Affidavit as **Exhibit "K"** is a true copy of an invoice dated February 1, 2017 from the Borrower to Nauticol.
33. The above mentioned licensing arrangement was never authorized by the board of directors of the Borrower (the "**Board**") at a duly convened meeting or otherwise, or by any representative of the Holder.
34. On or about April 5, 2017, counsel for the Holder advised counsel for the Borrower and Guarantors that in light of the circumstances, the Holder had lost faith or trust in the Borrower and Guarantors and their representatives, including management of the Borrower and the Board. The Holder requested that a receiver be appointed and that the above mentioned licensing arrangement be unwound. This request was reiterated during a meeting between representatives of all parties held on April 6, 2017. This effectively put an end to pending discussions in connection with a possible forbearance agreement.
35. Following these discussions, on April 7, 2017, the Borrower and Guarantors advised the Holder, through counsel, that:
  - (a) the Borrower and Guarantors would not oppose an application for the appointment of a receiver by the Holder;
  - (b) the Borrower and Nauticol agree to the termination of the above mentioned licensing arrangement; and
  - (c) all of the directors of the Borrower and Guarantors will step down imminently.
36. In addition, the Holder was recently advised that the Borrower and the Guarantors have ceased to operate their business in the normal course. On or about March 31, 2017, all but two of the employees of the Borrower tendered their resignations. One of the two employees was terminated on March 31, 2017. The remaining employee, the Borrower's President and CEO, has indicated his intention to resign effective once a receiver has been appointed or an alternative arrangement has been agreed upon. Attached to my affidavit as **Exhibit "L"** is a true copy of a resignation letter from the Borrower's President and CEO. The Borrower is in arrears for wages and unpaid vacation pay owing to the remaining employee.

37. The Borrower and the Guarantors have extremely limited liquidity and cannot continue to preserve and protect their own assets, including meeting their payment of rent, fees for patent rights, and storage fees for critical core samples.
  38. The Borrower and/or Guarantors currently share rental space with Nauticol which would be in the process of leaving the premises. The Holder has recently become aware that Nauticol's employees have access to and control over the computer systems and files of the Borrower and Guarantors.
  39. The Borrower's counsel has advised that the directors agreed at a meeting last week to resign effective today.
- 

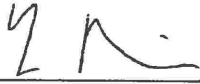
**Appointment of a Receiver is Necessary, Just and Appropriate**

40. The Third Amended and Restated Debenture provides that PEO is entitled to appoint a receiver in the event of default by the Borrower.
41. Given that the Holder holds the Security over the Borrower's and Guarantors' property to secure repayment of the Indebtedness, pursuant to the Loan Documents and given that the Borrower and Guarantors are insolvent and have ceased carrying on business, I believe that it is both necessary and in the best interest of all stakeholders of the Borrower that A&M be appointed as receiver over its assets with the necessary powers to take all appropriate conservatory measures in respect thereof, to preserve the Holder's Security, and to effect the sale of the Borrower's assets in the interest of all its stakeholders.
42. Indeed, the Borrower's and Guarantors' financial situation is such that they do not have the financial resources to either maintain, maximize or even preserve the value of their assets.
43. I am advised by A&M that A&M is qualified and has agreed to act and has consented to being appointed as receiver of the Borrower and the Guarantors and exercise any and all of the proposed powers provided for in the draft Receivership Order.

**Conclusion**

44. In light of the foregoing, I believe that the order sought is reasonable, just and convenient.
45. I make this affidavit in support of the application of PEO for the appointment of A&M as receiver of the Borrower and not for any improper purpose.

SWORN (OR AFFIRMED) BEFORE ME  
at the City of Toronto, Ontario, this 11<sup>th</sup>  
day of April, 2017.



Commissioner for Taking Affidavits

Lee Nicholson



Kate Malcolm

# Exhibit "A"

This is Exhibit "A" to the  
Affidavit of Kate Malcolm

Sworn April 11, 2017



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Commissioner for taking affidavits

# Government of Alberta ■ Corporation/Non-Profit Search

## Corporate Registration System

Date of Search: 2017/04/10  
Time of Search: 04:03 PM  
Search provided by: STIKEMAN ELLIOTT

Service Request Number: 26854556  
Customer Reference Number: 027869-1037

**Corporate Access Number:** 2015753862

**Legal Entity Name:** OAK POINT ENERGY LTD.

**Legal Entity Status:** Active

**Alberta Corporation Type:** Named Alberta Corporation

**Registration Date:** 2010/12/10 YYYY/MM/DD

### Registered Office:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Records Address:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Directors:

**Last Name:** DE BEVER  
**First Name:** LEO  
**Street/Box Number:** BOX 325  
**City:** OKOTOKS  
**Province:** ALBERTA  
**Postal Code:** T1S 1A6

**Last Name:** JAMES  
**First Name:** KEN  
**Street/Box Number:** 243137 RANGE ROAD 31  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3Z 3L7

**Last Name:** MITTON  
**First Name:** FRANK  
**Street/Box Number:** 53 RIMINA WAY DRIVE  
**City:** MISSOURI CITY  
**Province:** TEXAS  
**Postal Code:** 77549

**Last Name:** NICOLAY  
**First Name:** ROBERT  
**Street/Box Number:** 2429 SOUTHGATE BOULEVARD  
**City:** HOUSTON  
**Province:** TEXAS  
**Postal Code:** 77030

**Last Name:** POCKAR  
**First Name:** ROBERT  
**Street/Box Number:** 163 MOUNTAIN RIVER ESTATES  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3Z 3J3

**Voting Shareholders:**

**Legal Entity Name:** 684390 ALBERTA LTD.  
**Corporate Access Number:** 206843906  
**Street:** 78 COUGAR PLATEAU CIRCLE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3H 5S7  
**Percent Of Voting Shares:** 2.44

**Legal Entity Name:** 684393 ALBERTA LTD.  
**Corporate Access Number:** 206843930  
**Street:** 243137 RANGE ROAD 31  
**City:** CALGARY  
**Province:** ALBERTA

**Postal Code:** T3Z 3L7

**Percent Of Voting Shares:** 16.86

**Legal Entity Name:** BOUNTY DEVELOPMENTS LTD.

**Corporate Access Number:** 200743029

**Street:** 1250, 340 - 12TH AVENUE SW

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2R 1L5

**Percent Of Voting Shares:** 16.48

**Last Name:** MACQUARIE RESOURCE CAPITAL CANADA LTD.

**Street:** 2020, 335 - 8TH AVENUE SW

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 1C9

**Percent Of Voting Shares:** 24.04

**Last Name:** NICOLAY

**First Name:** ROBERT

**Street:** 1000, 734 - 7TH AVENUE SW

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Percent Of Voting Shares:** 10.34

## **Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** SEE SCHEDULE "A" ATTACHED HERETO

**Share Transfers Restrictions:** NONE

**Min Number Of Directors:** 1

**Max Number Of Directors:** 11

**Business Restricted To:** NONE

**Business Restricted From:** NONE

**Other Provisions:** SEE SCHEDULE "B" ATTACHED HERETO

## **Holding Shares In:**

<b>Legal Entity Name</b>
KEMEX LTD.



**Other Information:****Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2016	2016/12/02

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2010/12/10	Incorporate Alberta Corporation
2012/01/05	Service Provider Correct Legal Entity
2015/12/01	Change Address
2016/12/02	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2017/01/17	Change Director / Shareholder

**Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
<a href="#">Share Structure</a>	ELECTRONIC	2010/12/10
<a href="#">Other Rules or Provisions</a>	ELECTRONIC	2010/12/10

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



# Government of Alberta ■ Corporation/Non-Profit Search

## Corporate Registration System

Date of Search: 2017/04/10  
Time of Search: 04:04 PM  
Search provided by: STIKEMAN ELLIOTT

Service Request Number: 26854565  
Customer Reference Number: 125561-1003

**Corporate Access Number:** 206457079

**Legal Entity Name:** KEMEX LTD.

### Name History:

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
KEMEX ENGINEERING SERVICES LTD.	2007/07/20

**Legal Entity Status:** Active  
**Alberta Corporation Type:** Named Alberta Corporation  
**Registration Date:** 1995/03/08 YYYY/MM/DD

### Registered Office:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Records Address:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Directors:

**Last Name:** JAMES  
**First Name:** KEN

**Street/Box Number:** SUITE 1000, 737 - 7TH AVENUE S.W.

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Voting Shareholders:**

**Legal Entity Name:** OAK POINT ENERGY LTD.

**Corporate Access Number:** 2015753862

**Street:** 1000, 734 - 7 AVENUE S.W.

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Percent Of Voting Shares:** 100

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** SCHEDULE "A" ATTACHED

**Share Transfers  
Restrictions:** SCHEDULE "B" ATTACHED

**Min Number Of  
Directors:** 1

**Max Number Of  
Directors:** 7

**Business Restricted To:** THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS WHICH THE CORPORATION MAY CARRY ON.

**Business Restricted  
From:** THERE SHALL BE NO RESTRICTIONS ON THE BUSINESS WHICH THE CORPORATION MAY CARRY ON.

**Other Provisions:** SCHEDULE "C" ATTACHED

**Holding Shares In:**

<b>Legal Entity Name</b>
OAK POINT CONSULTING GROUP LTD.
KEMEX TECHNOLOGIES LTD.
INSITE TECHNOLOGIES LTD.

**Other Information:**

**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2016	2016/04/21

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2007/07/20	Name Change Alberta Corporation
2009/01/12	Name/Structure Change Alberta Corporation
2015/05/05	Change Director / Shareholder
2015/12/01	Change Address
2016/04/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
<a href="#">Share Structure</a>	ELECTRONIC	2006/09/25
<a href="#">Consolidation, Split, Exchange</a>	ELECTRONIC	2006/09/25
<a href="#">Share Structure</a>	ELECTRONIC	2006/09/25
<a href="#">Restrictions on Share Transfers</a>	ELECTRONIC	2006/09/25
<a href="#">Other Rules or Provisions</a>	ELECTRONIC	2006/09/25
<a href="#">Consolidation, Split, Exchange</a>	ELECTRONIC	2009/01/12

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



# Government of Alberta ■ Corporation/Non-Profit Search

## Corporate Registration System

Date of Search: 2017/04/10  
Time of Search: 04:05 PM  
Search provided by: STIKEMAN ELLIOTT

Service Request Number: 26854580  
Customer Reference Number: 125561-1003

**Corporate Access Number:** 2015258474

**Legal Entity Name:** KEMEX TECHNOLOGIES LTD.

### Name History:

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
OAK POINT EURASIA LTD.	2011/02/25

**Legal Entity Status:** Active  
**Alberta Corporation Type:** Named Alberta Corporation  
**Registration Date:** 2010/03/23 YYYY/MM/DD

### Registered Office:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Records Address:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Directors:

**Last Name:** JAMES  
**First Name:** KEN

**Street/Box Number:** SUITE 1000, 737 - 7TH AVENUE S.W.

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Voting Shareholders:**

**Legal Entity Name:** KEMEX LTD.

**Corporate Access Number:** 206457079

**Street:** 1000, 734 - 7 AVENUE S.W.

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Percent Of Voting Shares:** 100

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** SEE SCHEDULE "A" ATTACHED HERETO

**Share Transfers Restrictions:** SEE SCHEDULE "B" ATTACHED HERETO

**Min Number Of Directors:** 1

**Max Number Of Directors:** 11

**Business Restricted To:** NONE

**Business Restricted From:** NONE

**Other Provisions:** SEE SCHEDULE "C" ATTACHED HERETO

**Holding Shares In:**

<b>Legal Entity Name</b>
1NSITE TECHNOLOGIES LTD.

**Other Information:**

**Last Annual Return Filed:**

<b>File Year</b>	<b>Date Filed (YYYY/MM/DD)</b>
2016	2016/04/21

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2010/03/23	Incorporate Alberta Corporation
2011/02/25	Name Change Alberta Corporation
2015/05/05	Change Director / Shareholder
2015/12/01	Change Address
2016/04/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
<a href="#">Share Structure</a>	ELECTRONIC	2010/03/23
<a href="#">Restrictions on Share Transfers</a>	ELECTRONIC	2010/03/23
<a href="#">Other Rules or Provisions</a>	ELECTRONIC	2010/03/23

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



# Government of Alberta ■ Corporation/Non-Profit Search

## Corporate Registration System

Date of Search: 2017/04/10  
Time of Search: 04:05 PM  
Search provided by: STIKEMAN ELLIOTT

Service Request Number: 26854587  
Customer Reference Number: 125561-1003

**Corporate Access Number:** 2015258870

**Legal Entity Name:** INSITE TECHNOLOGIES LTD.

### Name History:

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
OAK POINT TECHNOLOGIES LTD.	2011/02/25

**Legal Entity Status:** Active  
**Alberta Corporation Type:** Named Alberta Corporation  
**Registration Date:** 2010/03/23 YYYY/MM/DD

### Registered Office:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Records Address:

**Street:** 4600 EIGHTH AVENUE PLACE E., 525 - 8TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 1G1

### Directors:

**Last Name:** JAMES  
**First Name:** KEN



**Street/Box Number:** SUITE 1000, 734 7 AVENUE S.W.

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Voting Shareholders:**

**Legal Entity Name:** KEMEX LTD.

**Corporate Access Number:** 206457079

**Street:** 1000, 734 - 7TH AVENUE SW

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Percent Of Voting Shares:** 94.9

**Legal Entity Name:** KEMEX TECHNOLOGIES LTD.

**Corporate Access Number:** 2015258474

**Street:** 1000, 734 - 7TH AVENUE SW

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Percent Of Voting Shares:** .01

**Legal Entity Name:** OAK POINT ENERGY LTD.

**Corporate Access Number:** 2015753862

**Street:** 1000, 734 - 7TH AVENUE SW

**City:** CALGARY

**Province:** ALBERTA

**Postal Code:** T2P 3P8

**Percent Of Voting Shares:** 5

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** SEE SCHEDULE "A" ATTACHED HERETO

**Share Transfers Restrictions:** SEE SCHEDULE "B" ATTACHED HERETO

**Min Number Of Directors:** 1

**Max Number Of Directors:** 11

**Business Restricted To:** NONE

**Business Restricted From:** NONE

**Other Provisions:** SEE SCHEDULE "C" ATTACHED HERETO

## Other Information:

### Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2016	2016/04/21

### Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2010/03/23	Incorporate Alberta Corporation
2011/02/25	Name Change Alberta Corporation
2011/03/17	Name/Structure Change Alberta Corporation
2015/05/05	Change Director / Shareholder
2015/12/01	Change Address
2016/04/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

### Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
<a href="#">Share Structure</a>	ELECTRONIC	2010/03/23
<a href="#">Restrictions on Share Transfers</a>	ELECTRONIC	2010/03/23
<a href="#">Other Rules or Provisions</a>	ELECTRONIC	2010/03/23
<a href="#">Share Structure</a>	ELECTRONIC	2011/03/17

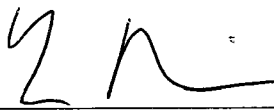
This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.



# Exhibit "B"

This is Exhibit "B" to the  
Affidavit of Kate Malcolm

Sworn April 11, 2017

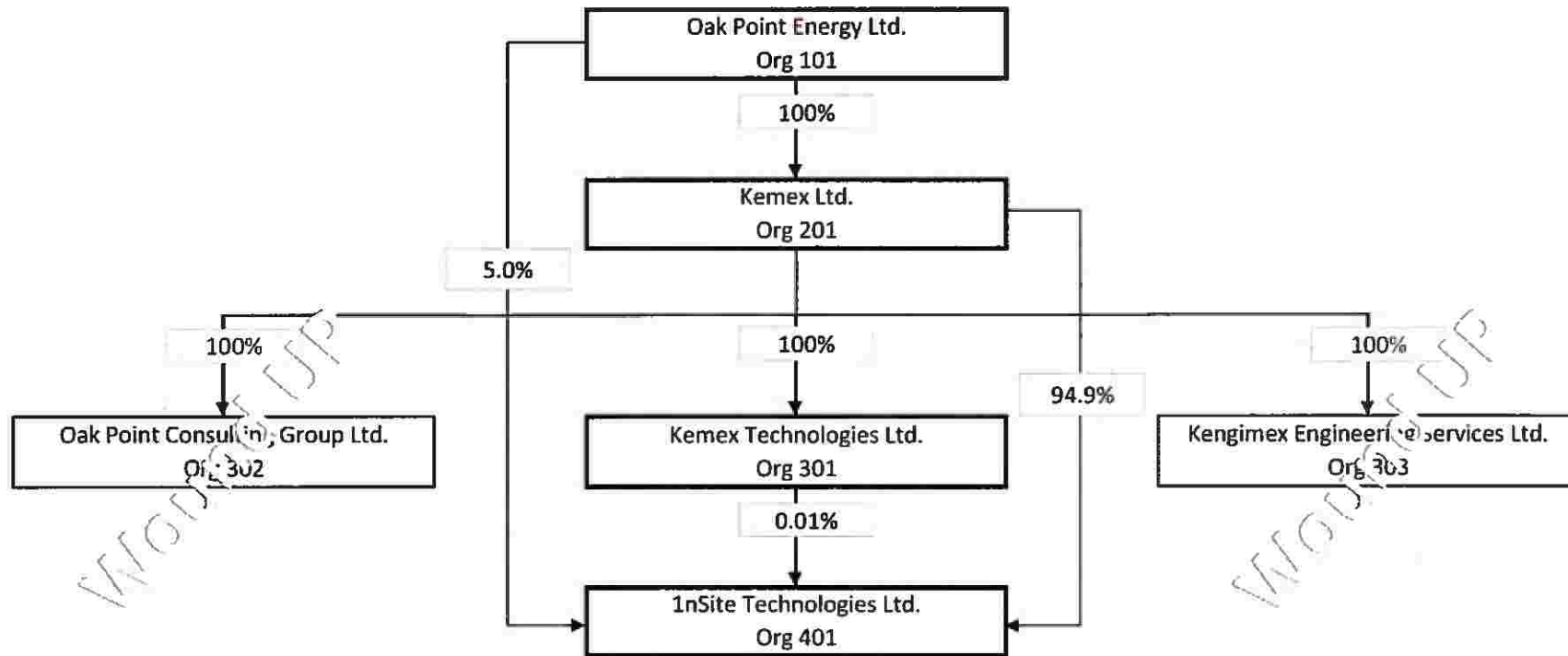


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Commissioner for taking affidavits

## Appendix A

OAK POINT ENERGY LTD.  
Corporate Structure  
April 2015

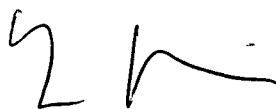


*InSite IP*

# Exhibit "C"

This is Exhibit "C" to the  
Affidavit of Kate Malcolm

Sworn April 11, 2017



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Commissioner for taking affidavits

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AFTER THE LATER OF: (A) DECEMBER 23, 2013; OR (B) THE DATE THE CORPORATION BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY**

**DEBENTURE**

**\$20,000,000**

**OAK POINT ENERGY LTD.**

**(A corporation existing under the *Business Corporations Act* (Alberta))**

**15.0% SENIOR SECURED REDEEMABLE CONVERTIBLE DEBENTURE  
DUE DECEMBER 23, 2015**

**OAK POINT ENERGY LTD.** (the "**Corporation**") for value received hereby acknowledges itself indebted and promises to pay to Private Equity Oak LP (the "**Holder**") on December 23, 2015 (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of this Debenture, the principal sum of Twenty Million Dollars (\$20,000,000) on presentation and surrender of this Debenture at the offices of the Corporation in Calgary, Alberta and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 15.0% per annum, in like money, in arrears in quarterly instalments on December 31, March 31, June 30 and September 30 in each year commencing on December 31, 2013, and provided that the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date and, should the Corporation at any time make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued from original issuance date of this Debenture to, but excluding, December 31, 2013.

This Debenture is issued upon the terms and conditions as are set out in Schedule "A" hereto, and the terms, conditions and provisions contained in Schedule "A" are incorporated herein and constitute a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meaning ascribed to them in Schedule "A" hereto.

**IN WITNESS WHEREOF OAK POINT ENERGY LTD.** has caused this Debenture to be signed by its authorized representatives as of the 23<sup>rd</sup> day of December 2013.

**OAK POINT ENERGY LTD.**

By: 

## SCHEDULE "A"

The following terms and conditions are applicable to the \$20,000,000, 15% Senior Secured Convertible Debenture, due December 23, 2015 of Oak Point Energy Ltd.:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) **"1933 Act"** means the United States Securities Act of 1933, as amended;
- (b) **"2012 Debentures"** means the \$10,000,000 aggregate principal amount of 15.0% convertible secured redeemable debentures of the Corporation issued on September 19 and October 1, 2012;
- (c) **"Act"** means the *Business Corporations Act* (Alberta);
- (d) **"Affiliate"** shall have the meaning given in the Act;
- (e) **"Applicable Laws"** means, in relation to any Person, property, transaction or event, all applicable provisions, whether now or hereafter in effect (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of all governmental authorities (whether or not having the force of law) and all judgments, orders and decisions of all governmental authorities in which the person in question is a party or by which it is bound or having application to the person, property, transaction or event;
- (f) **"Applicable Securities Legislation"** means applicable securities laws in each of the Provinces of Canada;
- (g) **"Board"** means the board of directors of the Corporation, as constituted from time to time;
- (h) **"Business Day"** means any day other than a Saturday, Sunday or any other day that Canadian chartered banks are not generally open for business in Calgary, Alberta;
- (i) **"Change of Control"** means:
  - (i) the purchase or acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or securities convertible into or carrying the right to acquire Common Shares;
  - (ii) the sale of all or substantially all of the assets of the Corporation; or
  - (iii) the completion by the Corporation of an amalgamation, arrangement, merger or other consolidation or combination involving the Corporation such that the previous Shareholders would not beneficially own, or exercise control or direction over, voting securities of the Corporation carrying the right to cast more than 50% of the votes attaching to all voting securities, or immediately following such an event, the directors of the Corporation immediately prior to such event do not constitute a majority of the board

of directors (or equivalent) of the successor or continuing corporation or entity immediately following such event;

- (j) **"Charge"** means the Security Interests created by or intended to be created by this Debenture;
- (k) **"Collateral"** means the Oil Sands Leases as described in Exhibit "D";
- (l) **"Common Shares"** means common shares of the Corporation, as such common shares are constituted on the date of execution and delivery of this Debenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 5.5, "Common Shares" shall mean the common shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;
- (m) **"Confidential Information"** means all confidential or proprietary information, intellectual property (including trade secrets) and confidential facts relating to the business and affairs of the Corporation or its Affiliates together with all analysis prepared by the Holder based upon, in whole or in part, such information;
- (n) **"Conversion Price"** means the amount of one dollar (\$1.00) for which each Common Share may be issued from time to time upon the conversion of this Debenture which are by their terms convertible in accordance with, and subject to adjustment:
  - (i) prescribed by the provisions of Article 5; and
  - (ii) by reduction to a lesser price as is equal to the price at which any treasury issuance is made by the Corporation of Common Shares or the conversion or exchange price, respectively, of securities convertible or exchangeable into Common Shares, other than a treasury issuance pursuant to existing share option plans of the Corporation, such reduction being subject to any consents or restrictions required by any stock exchange or regulatory authority then having jurisdiction over the Corporation;
- (o) **"Corporation"** means Oak Point Energy Ltd. and includes any successor to or of the Corporation which shall have complied with the provisions of Article 12;
- (p) **"Corporation's Auditors"** or **"Auditors of the Corporation"** means an independent firm of chartered accountants duly appointed as auditors of the Corporation;
- (q) **"Counsel"** means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Holder or retained or employed by the Corporation and acceptable to the Holder;



- (r) **“Creditor Proceedings”** means any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, plan of arrangement under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada), or similar proceedings of or with respect to the Corporation or its property or liabilities, or any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of the Corporation, or any bulk sale of assets by the Corporation, or proceedings in relation to any of the foregoing;
- (s) **“Default Rate”** has the meaning given in Section 9.1;
- (t) **“Environmental Laws”** means all Applicable Laws with respect to the environment or environmental or public health and safety matters contained in statutes, regulations, rules, ordinances, orders, judgments, approvals, notices, permits or policies, guidelines or directives having the force of law;
- (u) **“Environmental Liabilities”** means any and all indebtedness, liabilities and obligations for any Release, any environmental damage, any contamination or any other environmental problem caused or alleged to have been caused to any person, property or the environment as a result of any Release or the condition of any property or asset, whether or not caused by a breach of Applicable Laws, including all indebtedness, liabilities and obligations arising from or related to: any surface, underground, air, groundwater, or surface water contamination; restorations and reclamations; the removal of or failure to remove any foundations, structures or equipment; the cleaning up or reclamation of storage sites; any Release; violation of pollution standards; and personal injury (including sickness, disease or death) and property damage arising from the foregoing;
- (v) **“Event of Default”** has the meaning attributed thereto in Section 9.1;
- (w) **“Extraordinary Resolution”** has the meaning given in Section 13.12;
- (x) **“generally accepted accounting principles”** means generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, including applicable International Financial Reporting Standards;
- (y) **“Holder”** or **“holder”** means Private Equity Oak LP and its successors and permitted assigns or the Person or Persons from time to time registered as the holder or holders of this Debenture pursuant to Section 6.1;
- (z) **“Indebtedness”** means all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of a Person howsoever arising, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, including all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether such Person be bound alone or with others and whether as principal or surety, including all interest, fees, expenses, indemnities and costs;
- (aa) **“Intellectual Property”** has the meaning attributed thereto in paragraph (lii) of Exhibit “A” hereto and, for certainty includes, but is not limited to, those items described in Exhibit “E” hereto;
- (bb) **“Interest Obligation”** means the obligation of the Corporation to pay interest on this Debenture, as and when the same becomes due in accordance with the terms herein;

- (cc) **"Interest Payment Date"** means a date specified in this Debenture as the date on which an instalment of interest on this Debenture shall become due and payable;
- (dd) **"IPO"** means an initial public offering of Common Shares by way of a prospectus, registration statement or similar document where, or in connection with which, the Common Shares are to become listed and posted for trading or quoted on a recognized securities exchange;
- (ee) **"Issue Date"** means December 23, 2013;
- (ff) **"Material Adverse Effect"** means any event, circumstance, occurrence or change which could reasonably be expected to:
  - (i) impair in any material manner the ability of the Corporation to perform, any material obligation under this Debenture, any other material Transaction Document or any material contract;
  - (ii) have any material and adverse effect upon the validity or enforceability of any of the Security or upon the ranking of any of the Security Interests granted thereby or the material rights or remedies intended or purported to be granted to the Holder under or pursuant to the Security; or
  - (iii) be material and adverse to the business, operations, assets, condition (financial or otherwise) or results of operations of the Corporation and its Subsidiaries (taken as a whole);
- (gg) **"Maturity Date"** means December 23, 2015;
- (hh) **"Nominated Directors"** shall have the meaning given in Section 7.18;
- (ii) **"Obligations"** means any and all present and future Indebtedness of the Corporation to the Holder under this Debenture;
- (jj) **"Officer's Certificate"** means a certificate of the Corporation signed by any one authorized officer or director of the Corporation, on behalf of the Corporation, in his or her capacity as an officer or director of the Corporation, as the case may be, and not in his or her personal capacity;
- (kk) **"Oil Sands Leases"** means the Alberta crown oil sands leases described in Exhibit "D" and all extensions, renewals, replacements or amendments thereto;
- (ll) **"Owned Intellectual Property"** has the meaning attributed thereto in paragraph (liv) of Exhibit "A" hereto;
- (mm) **"Payment Account"** means such account as the Holder may from time to time advise the Corporation in writing;
- (nn) **"Permitted Encumbrances"** means:
  - (i) Security Interests for taxes, assessments or governmental charges not yet due or delinquent or the validity of which is being contested in good faith;

- (ii) Security Interests arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith;
- (iii) Security Interests under or pursuant to any judgment rendered or claim filed which are or will be appealed in good faith, provided any execution thereof has been stayed;
- (iv) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent;
- (v) Security Interests arising by operation of law such as builders' liens, carriers' liens, materialmens' liens and other liens of a similar nature which relate to obligations not due or delinquent;
- (vi) Security Interests incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of any of the Collateral as security in favour of any other Person which is conducting the exploration, development or operation of the property to which such Security Interests relate, provided such Security Interests relate to the costs and expenses of such exploration, development or operation, which have not at such time been filed pursuant to law and which relate to obligations not due or delinquent; and
- (vii) Security Interests granted in favour of the Holder hereunder;
- (oo) **"Person"** includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (pp) **"Redemption Date"** has the meaning attributed thereto in Section 4.2;
- (qq) **"Redemption Notice"** has the meaning attributed thereto in Section 4.2;
- (rr) **"Redemption Price"** means a price in cash equal to 125% of the principal amount of this Debenture plus accrued and unpaid interest thereon;
- (ss) **"Registered Intellectual Property"** has the meaning attributed thereto in paragraph (liv) of Exhibit "A" hereto;
- (tt) **"Release"** means any material release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leeching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface water, groundwater, rock formation or otherwise;
- (uu) **"Security"** means the Security Interest granted by the Corporation pursuant to Section 3.1 hereunder and any amendments thereto, and any and all other documents, instruments or agreements to which the Holder is granted or receives a Security Interest pursuant to the terms hereof or thereof;
- (vv) **"Security Interest"** means a mortgage, indenture, pledge, deposit by way of security, charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at

common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;

- (ww) **"Shareholder"** means a holder of Common Shares;
- (xx) **"Subsidiary"** has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (yy) **"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;
- (zz) **"Time of Expiry"** means the time of expiry of certain rights with respect to the conversion of this Debenture under Article 5;
- (aaa) **"Transaction Document"** means this Debenture, the Security, the subscription agreement dated the date hereof between the Holder and the Corporation and all other agreements, certificates, instruments and documents delivered by or on behalf of the Corporation in connection herewith or therewith from time to time and all future renewals, extensions or restatements, amendments, modifications or supplements to, all or any part of the foregoing; and
- (bbb) **"Written Direction of the Corporation"** means an instrument in writing signed in the name of the Corporation by any one of the Chief Executive Officer, the Chief Financial Officer, a Vice-President or the Corporate Secretary of the Corporation.

## 1.2 Meaning of "Outstanding"

This Debenture shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Corporation for cancellation, conversion or redemption for monies and/or Common Shares, as the case may be.

## 1.3 Interpretation

In this Debenture:

- (a) **"this Debenture"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this Debenture and not to any particular Article, Section, Exhibit, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (c) all references to Articles, Schedules, and Exhibits refer, unless otherwise specified, to articles of, schedules to and exhibits to this Debenture;
- (d) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Debenture; and
- (e) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them.

**1.4 Headings Etc.**

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

**1.5 Day not a Business Day**

In the event that any day on or before which any action required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

**1.6 Applicable Law**

This Debenture shall be construed 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.

**1.7 Monetary References**

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

**1.8 Invalidity**

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

**1.9 Successors and Assigns**

All covenants and agreements in this Debenture by the Corporation shall bind its successors and assigns, whether expressed or not.

**1.10 Benefits of Debenture**

Nothing in this Debenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent and the Holder, any benefit or any legal or equitable right, remedy or claim under this Debenture.

**ARTICLE 2  
INTEREST AND PAYMENTS**

**2.1 Payment of Interest**

- (a) This Debenture shall be dated as of the Issue Date and shall bear interest from such date of issue at the rate of 15.0% per annum, payable quarterly on December 31, March 31, June 30 and September 30, in each year, the first such payment to fall due on December 31, 2013 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the Default Rate, compounded annually. For certainty the first interest payment will include interest accrued from the Issue Date to, but excluding, December 31, 2013. This Debenture will mature on December 23, 2015.

- (b) Interest for any period of less than six months shall be computed on the basis of a year of 365 days. Subject to Section 2.1(a) in respect of the method for calculating the amount of interest to be paid on this Debenture on the first Interest Payment Date in respect thereof, with respect to this Debenture, whenever interest is computed on a basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act (Canada)* by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.
- (c) As interest becomes due on this Debenture, the Corporation shall pay such interest, on each Interest Payment Date by causing to be deposited to the Payment Account an amount equal to such interest in immediately available funds.

## **2.2 Payment of Principal**

On the Maturity Date, the Corporation shall deposit to the Payment Account an amount sufficient to pay the cash amount payable in respect of this Debenture (including the principal amount together with any accrued and unpaid interest thereon) in immediately available funds.

## **2.3 Time, Place and Currency of Payment**

Payments of the principal amount payable under this Debenture and interest and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian dollars for value at or before 10:00 a.m. (Calgary time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

# **ARTICLE 3 SECURITY**

## **3.1 Grant of Security Interest**

To secure the payment, performance and satisfaction in full of each and every Obligation in respect of this Debenture, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.4) mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Holder and grants to and in favour of the Holder a continuing first priority Security Interest in and to all of the Corporation’s right, title, estate and interest in and to the Oil Sands Leases and all proceeds in respect thereof.

## **3.2 Attachment**

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Charge in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case, the Charge shall attach contemporaneously with the Corporation acquiring rights therein without the need for any further act, deed or consideration. The Charge shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Debenture. The Corporation acknowledges conclusively that value has been given.

### **3.3 Leases**

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Charge and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

### **3.4 Contractual Rights**

In the event the validity and effectiveness of the Charge over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Charge with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

### **3.5 Liability of the Holder**

Neither the Holder nor any receiver shall (a) be responsible or liable for any debts contracted by it, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of Applicable Law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any receiver than aforesaid.

### **3.6 Mandatory Provisions of Applicable Law**

Subject to Section 3.7, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of Applicable Law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of Applicable Law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of Applicable Law. Subject to Section 3.7, if any mandatory provision of Applicable Law shall provide for different or additional requirements than or to those specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Charge or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure of the Charge required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to

mandatory provisions of Applicable Law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

### **3.7 Waivers of Applicable Laws**

To the extent not prohibited by Applicable Law, the Corporation hereby waives its rights, if any, under all provisions of Applicable Law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any notice, financing statement or any verification statement issued by any registry that confirms registration of a requisite notice or financing statement relating to this Debenture.

### **3.8 Further Assurances**

- (a) The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for better accomplishing and effectuating the purpose of this Debenture as a result of a change in Applicable Law or otherwise, including the execution and delivery of debentures or other agreements supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental debentures or other agreements under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental documents shall form part of this Debenture for all purposes.
- (b) The Corporation will ensure that this Debenture and all documents, caveats, security notices (including under and pursuant to the *Mines and Minerals Act* (Alberta)) and financing statements in respect thereof, are promptly filed and re-filed, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by Applicable Law or as may be necessary or desirable to perfect and preserve the Charge and the rights conferred or intended to be conferred upon the Holder by the Charge and will promptly provide the Holder with evidence (satisfactory to the Holder) of such filing, registration and deposit.
- (c) The Corporation agrees to deliver from time to time to the Holder any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Holder, which the Holder requests for the purpose of perfecting, confirming, or protecting any Security Interest or other rights in any property securing any Obligations in respect of this Debenture.
- (d) The Corporation will furnish to the Holder from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.

### **3.9 Discharge; Partial Release**

- (a) Subject to the provisions of Article 10, upon the full and final payment and performance of the Obligations in respect of this Debenture, the rights hereby granted in respect of this Debenture shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the reasonable request and at the expense of the Corporation cancel and discharge the Charge in



respect of this Debenture and execute and deliver to the Corporation such deeds and other instruments as shall be requisite to cancel and discharge the Charge. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or such payment must otherwise be restored, refunded, returned or reimbursed by the Holder.

- (b) No postponement or partial release or discharge of the Charge in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Charge except as therein specifically provided, or so as to release or discharge the Corporation from its liability to fully pay and satisfy the Obligations.

### **3.10 Obligations Absolute**

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Charge is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

### **3.11 Composite Mortgage**

This Debenture is a composite mortgage and security agreement covering the Collateral located in various Provinces and Territories of Canada or elsewhere and, as to portions of the Collateral located in such separate jurisdictions, this Debenture shall be a separate mortgage and security agreement enforceable against the Corporation without regard to the application of this Debenture to portions of the Collateral located in other jurisdictions. All provisions hereof shall be applicable separately to the portions of the Collateral located in each separate jurisdiction with the same effect as if a separate mortgage and security agreement with respect thereto had been executed and delivered by the Corporation to the Holder. Upon the reasonable request of the Holder, the Corporation shall prepare, execute and deliver, at its expense, a separate mortgage and security agreement covering the portion of the Collateral located in any such jurisdiction or jurisdictions, such separate mortgage and security agreement to be substantially in the form hereof except for such modifications as shall be required by the fact that such mortgage and security agreement relates only to the property of such Corporation located in such jurisdiction or jurisdictions or as may be required by the Holder in connection therewith.

## **ARTICLE 4 REDEMPTION AND PURCHASE OF DEBENTURES**

### **4.1 Applicability of Article**

The Corporation shall have the right, at its option to redeem in whole at any time before maturity, by payment of money, this Debenture at the Redemption Price and on such date and in accordance with such other provisions as shall have been determined at the time of issue and as shall have been expressed in this Debenture.

#### **4.2 Notice of Redemption**

Notice of redemption in the form attached hereto as Exhibit "C" (the "**Redemption Notice**") shall be given to the Holder not more than 60 days nor less than 30 days prior to the date fixed for redemption (the "**Redemption Date**") in the manner provided in Section 14.2. Every such notice shall specify the Redemption Date, the Redemption Price and the places of payment.

#### **4.3 Debenture Due on Redemption Dates**

Provided that a Redemption Notice has been provided to the Holder in accordance with Section 4.2, this Debenture so called for redemption shall thereupon be and become due and payable at the Redemption Price, together with accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in this Debenture, anything herein to the contrary notwithstanding.

#### **4.4 Cancellation of Redeemed Debenture**

Upon payment of the Redemption Price and all other monies owing hereunder by the Corporation to the Holder, this Debenture shall forthwith be delivered to the Corporation and cancelled.

### **ARTICLE 5 CONVERSION OF DEBENTURE**

#### **5.1 Applicability of Article**

The Holder shall have the right at such Holder's option, at any time prior to the close of business on the earlier of:

- (a) the last Business Day immediately preceding the Maturity Date; and
- (b) the last Business Day immediately preceding the date specified by the Corporation for redemption of the Debenture by notice to the Holder in accordance with Section 4.2;

(the earlier of which will be the "**Time of Expiry**" for the purposes of Article 5 in respect of this Debenture), to convert this Debenture into Common Shares, at such conversion rate or rates, and on such date or dates and in accordance with such other provisions as set forth herein. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of this Debenture at any one time may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 5.6.

#### **5.2 Notice of Expiry of Conversion Privilege**

Notice of the expiry of the conversion privileges of this Debenture shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 14.2.

#### **5.3 Revival of Right to Convert**

If this Debenture has been called for redemption but has not been redeemed, upon due surrender of this Debenture, provided the Time of Expiry has not passed, then the right to convert this Debenture shall revive and continue as if this Debenture had not been called for redemption.

#### 5.4 Manner of Exercise of Right to Convert

- (a) The holder of this Debenture desiring to convert this Debenture in whole or in part into Common Shares shall surrender this Debenture to the Corporation at its principal office in the City of Calgary together with a conversion notice in the form attached as Exhibit "B" or any other written notice in a form satisfactory to the Corporation, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Corporation, exercising his right to convert this Debenture in accordance with the provisions of this Article 5. Thereupon the Holder, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Corporation, shall be entitled to be entered in the books of the Corporation as at the Conversion Date (or such later date as is specified in Section 5.4(b)) as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article 5 and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 5.4(e) hereof.
- (b) For the purposes of this Article 5, this Debenture shall be deemed to be surrendered for conversion on the date (herein called the "**Conversion Date**") on which it is so surrendered in accordance with the provisions of this Article 5 and, in the case of this Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Corporation at one of its offices specified in Section 5.4(a); provided that if this Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the Business Day on which such register is next reopened.
- (c) Any part, being \$1,000 or an integral multiple thereof, of this Debenture in a denomination in excess of \$1,000 may be converted as provided in this Article 5 and all references in this Debenture to conversion of Debenture shall be deemed to include conversion of such part.
- (d) If only a part of this Debenture is converted, the Holder shall, upon the exercise of his right of conversion, surrender this Debenture to the Corporation, and the Corporation shall cancel the same and shall without charge forthwith deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of this Debenture so surrendered.
- (e) The Holder shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of holders of Common Shares of record on and after the Conversion Date or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 5.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

#### 5.5 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common

Shares, or (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution, the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a dividend or distribution, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, redivision or dividend, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 5.5(a) shall occur. Any such issue of Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (b) and (c) of this Section 5.5.

- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 60 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than the Conversion Price on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Conversion Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants, as the case may be.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "**Spinoff Securities**"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the Holder, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of Shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of (A) the weighted average trading price of one Common Share over the 20 consecutive Trading Day period (the "**Spinoff Valuation Period**") commencing on and including the fifth Trading Day after the Ex-Dividend Date and (B) the product of (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of one Spinoff Security or, if no such prices are available, the fair market value of one Spinoff Security as reasonably determined by the Board (which determination shall be conclusive and made in good faith) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the weighted average trading price of one Common Share over the Spinoff Valuation Period, such adjustment to become effective

immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that the Holder shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that the Holder would have received if this Debenture had been converted on the record date with respect to such distribution. In respect of any conversion during the Spinoff Valuation Period, references to 20 consecutive trading days shall be deemed to be replaced with such lesser number of trading days as have elapsed between the commencement of the Spinoff Valuation Period and the relevant conversion date.

- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 60 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), (iii) evidences of its indebtedness, or (iv) assets (including cash dividends or distributions) then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price on such record date, less the fair market value (as determined by an independent firm of chartered accountants acceptable to the Holder and the Corporation, which determination shall be conclusive) of such shares or rights, options or warrants or evidences or indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.
- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 5.5(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of this Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of this Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the directors of the Corporation, to give effect to or to evidence the provisions of this Section 5.5(d), the Corporation, its successor, or such purchasing Person or other entity, as

the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares or other securities or property to which the Holder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Holder pursuant to the provisions of this Section 5.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.1(a)(i). Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Holder shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 5.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances.

- (e) In any case in which this Section 5.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as such holder would, but for the provisions of this Section 5.5(e), have become the holder of record of such additional Common Shares pursuant to Section 5.4(b).
- (f) The adjustments provided for in this Section 5.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 5.5(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.
- (h) In the event of any question arising with respect to the adjustments provided in this Section 5.5, such question shall be conclusively determined by a firm of chartered accountants appointed by the Corporation and acceptable to the Holder (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder.
- (i) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 5.5, which in the opinion of the directors of the Corporation, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors of the Corporation, as the directors of the Corporation, in their sole discretion may determine to be equitable in the circumstances. Failure of the

directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

- (j) No adjustment in the Conversion Price shall be made in respect of any event described in Sections 5.5(a), 5.5(b) or 5.5(c), other than the events described in 5.5(a)(i) or 5.5(a)(ii), if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted this Debenture prior to the effective date or record date, as the case may be, of such event.
- (k) Except as stated above in this Section 5.5, no adjustment will be made in the Conversion Price for this Debenture as a result of the issuance of Common Shares at less than the then applicable Conversion Price.

#### **5.6 No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to this Article 5. The number of whole Common Shares issuable upon conversion of this Debenture shall be computed on the basis of the aggregate principal amount to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon such conversion, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the Holder of an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

#### **5.7 Corporation to Reserve Common Shares**

The Corporation covenants with the Holder that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon conversion of this Debenture as in this Article 5 provided, and conditionally allot to Holder who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Corporation covenants with the Holder that all Common Shares that shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

#### **5.8 Cancellation of Converted Debenture**

Subject to the provisions of Section 5.4 as to conversions in part, upon conversion of this Debenture in accordance with the provision of this Article 5, this Debenture shall be forthwith delivered to and cancelled by the Corporation and no Debenture shall be issued in substitution therefore.

#### **5.9 Certificate as to Adjustment**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 5.5, deliver an Officer's Certificate to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of chartered accountants appointed by the Corporation and acceptable to the Holder and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Holder in the manner provided in Section 14.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price; provided that, if the Corporation has given notice otherwise therein under this Section 5.9 covering all the relevant facts in respect of such event and if the Holder approves, no such notice need be given under this Section 5.9.

## **5.10 Notice of Special Matters**

The Corporation covenants with the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder in the manner provided in Section 14.2 of its intention to fix a record date for any event referred to in Section 5.5(a), (b) or (c) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than fourteen (14) days in each case prior to such applicable record date.

## **ARTICLE 6 TRANSFER OF DEBENTURE**

### **6.1 Register of the Debenture**

The Corporation shall keep or cause to be kept a register in which the Holder or holders shall be registered. The name and address of each holder and particulars of this Debenture held shall be entered in the register. For the purposes of this Debenture, the Corporation may treat the registered owner of this Debenture as the beneficial owner thereof for all purposes.

### **6.2 Transfer of the Debenture**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right may not be transferred unless an exemption from the prospectus requirements under Applicable Securities Legislation is available. The Holder agrees that, unless prior written consent is obtained from the Corporation, it may only transfer the Debenture in whole and not in part. Upon the due transfer of this Debenture, the transferee shall be entitled to receive, without charge, a new certificate representing the applicable principal amount in respect of the transferee after giving effect to such transfer.

### **6.3 U.S. Transferee**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right have not been registered under the 1933 Act, or the securities laws of any state of the United States of America, and may not be transferred to a U.S. Person (as defined on Regulation S of the 1933 Act) unless this Debenture and the Common Shares issuable upon exercise of the Conversion Right have been registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available.

### **6.4 Replacement Debenture**

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to Applicable Law, shall issue and deliver, a new debenture of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture. The Holder shall bear the cost of the issue of a replacement Debenture and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of this Debenture as shall be satisfactory to the Corporation, in its sole discretion, and the Holder may also be required to furnish an indemnity or security in amount and form satisfactory to the Corporation, in its sole discretion, and shall pay the reasonable charges of the Corporation in connection therewith.



## **ARTICLE 7 COVENANTS OF THE CORPORATION**

The Corporation hereby covenants and agrees with the Holder, that so long as this Debenture remains outstanding:

### **7.1 To Pay Principal and Interest**

The Corporation will duly and punctually pay or cause to be paid to the Holder the principal of, premium (if any) and interest accrued on this Debenture of which it is the holder on the dates, at the places and in the manner mentioned herein.

### **7.2 To Give Notice of Default**

The Corporation shall notify the Holder as soon as practicable after obtaining knowledge of:

- (a) any Event of Default hereunder; or
- (b) any material default under any material contract.

### **7.3 Preservation of Existence, Status, etc.**

Subject to the express provisions hereof, the Corporation will: (a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, subject to Section 12.1; and (b) carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices.

### **7.4 Provision of Financials**

The Corporation covenants and agrees that:

- (a) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with an independent engineering report on the Corporation's properties on which operations have taken place in the past year that has been prepared by a nationally-recognized, independent engineering firm;
- (b) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with audited annual financial statements of the Corporation;
- (c) no later than 90 days prior to the beginning of each fiscal year, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with the Corporation's budget for the upcoming fiscal year which shall include all significant expenditures and a projected income statement and balance sheet;
- (d) within 60 days following each interim fiscal quarter, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with unaudited interim financial statements of the Corporation; and
- (e) subject to compliance with applicable securities laws relating to selective disclosure, it will advise the Holder as soon as reasonably possible of any material change (actual, anticipated or

threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and, if applicable, its subsidiaries; provided that if the Corporation is uncertain as to whether a material change has occurred, the Corporation shall promptly inform the Holder of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Holder as to whether the occurrence is of such nature.

#### **7.5 Keeping of Books**

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

#### **7.6 No Distributions on Common Shares if Event of Default**

The Corporation shall not declare or make any dividends, return of capital or other distribution to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

#### **7.7 No *Pari Passu* Indebtedness**

The Corporation shall not incur any Indebtedness which ranks in any respect in priority to or *pari passu* with the Obligations.

#### **7.8 Other Security Interests**

The Corporation shall not grant, create or permit to be granted or created any other Security Interest over the Collateral, except for: (a) Permitted Encumbrances; and (b) Security Interests expressly subordinated to the Security Interest granted hereunder in a manner satisfactory to the Holder.

#### **7.9 Perfection of Securities Interests**

The Corporation will create, perfect and maintain in force the Security Interests created by this Debenture and will do all things necessary to ensure the Security Interests to which it is subject are effective and enforceable in the jurisdiction in which they are registered, or are to be registered, and will provide the Holder evidence satisfactory to establish compliance with this Section if and when requested to do so by the Holder.

#### **7.10 Defend Title to Assets**

As long as this Debenture is outstanding, the Corporation shall maintain, protect and defend title to the Oil Sands Leases, and take all such acts and steps as are necessary or advisable at any time and from time to time to maintain the Oil Sands Leases in good standing.

#### **7.11 Insurance**

As long as this Debenture is outstanding, the Corporation shall maintain in full force and effect such policies of insurance, including public liability and property damage insurance, in such amounts issued by insurers of recognized standing covering its Oil Sands Leases as are customarily maintained by persons engaged in the same or similar business in the localities where its Oil Sands Leases are located.

## **7.12 Intellectual Property**

As long as this Debenture is outstanding, the Corporation shall not, directly or indirectly, sell, transfer, convey or otherwise dispose, directly or indirectly, of any Intellectual Property held at the date hereof, including but not limited to the Intellectual Property identified in Exhibit "E", unless it has obtained the consent of the Holder, such consent not to be unreasonably withheld. For certainty, nothing in this Section 7.12 is intended to prohibit the Corporation, directly or indirectly, from granting licenses to the Intellectual Property in the ordinary course of business.

## **7.13 Notice**

The Corporation shall give the Holder prompt written notice and, in any event at least 15 days prior to the effective date of any such change in respect of matters set forth in (a), (b) or (c) immediately below, of each of the following changes in respect of the Corporation:

- (a) any change to its chief executive office or principal place of business or registered office;
- (b) any change to its legal name;
- (c) any change to the jurisdiction of its incorporation or formation;
- (d) any Material Adverse Effect;
- (e) any material impairment in the value of the Intellectual Property; and
- (f) any challenge to the Corporation's title to any or all of the leases comprising the Oil Sands Leases or any threatened termination or pending expiry thereof.

## **7.14 Proceeds**

The Corporation shall use the proceeds from the issuance and sale of this Debenture to repay the 2012 Debentures to the extent such 2012 Debentures are not converted in accordance with their terms and for general working capital purposes and for project development purposes, in that order of priority.

## **7.15 No Unanimous Shareholder Agreements**

The Corporation agrees that it will not, without the prior written consent of the Holder, enter into or allow its Shareholders to enter into a unanimous shareholder agreement.

## **7.16 Publications**

Without the prior consent of the Holder, the Corporation will not issue any press release or make any other public announcement regarding the Holder or the transactions contemplated hereby that names the Holder, except to the extent required by Applicable Law, and only after using commercial reasonable efforts to consult with the Holder as to how it should be named therein.

## **7.17 Performance of Covenants by Holder**

If the Corporation shall fail to perform any of its covenants contained in this Debenture, the Holder may itself perform any of the covenants capable of being performed by it, but shall be under no obligation to do so. All sums so expended or advanced by the Holder shall be repayable by the

Corporation to the Holder. No such performance, expenditure or advance by the Holder shall be deemed to relieve the Corporation of any default hereunder.

#### **7.18 Nominee Directors**

The Holder shall be entitled, but not obligated, to nominate directors (the “**Nominated Directors**”) to the Board on the following basis:

- (a) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying the Debenture held by the Holder is 10% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to appoint two (2) Nominated Directors; or
- (b) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying the Debenture held by the Holder is 5% or greater but less than 10% of the issued and outstanding Common Shares, the Holder shall be entitled to appoint one (1) Nominated Director.

Upon such Nominated Director(s) being removed or resigning as a director, such vacancy shall be filled by a new Nominated Director(s) to be appointed, to the extent permitted by the Corporation’s articles and by-laws and the Act, by the Holder. Any other vacancy on the Board shall be filled in accordance with the Corporation’s articles and by-laws and the Act.

#### **7.19 Observer**

So long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying the Debenture held by the Holder, is 3% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to designate a Person as an observer to attend meetings of the Board and receive all materials circulated to the Board provided such Person executes a confidentiality agreement in form and substance satisfactory to the Corporation, acting reasonably.

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

The Corporation hereby represents and warrants to the Holder as of the date hereof and acknowledges and confirms that the Holder is relying on the representations and warranties set forth in Exhibit “A” to this Debenture.

### **ARTICLE 9 DEFAULT**

#### **9.1 Events of Default**

Each of the following events constitutes, and is herein sometimes referred to as, an “**Event of Default**”:

- (a) failure for 15 days to pay interest on this Debenture when due;
- (b) failure to pay principal or premium, if any, on this Debenture when due whether at maturity, upon redemption, by declaration or otherwise;

- (c) failure to deliver when due all cash and Common Shares or other consideration deliverable upon conversion of this Debenture, which failure continues for 15 days;
- (d) default in the payment of principal when due, upon the maturity, demand or otherwise on, or failure to make any payment or take any action that results in acceleration of, other indebtedness of the Corporation for borrowed money where the aggregate principal amount with respect to which the default or acceleration has occurred exceeds \$1,000,000 and such default or acceleration has not been rescinded or annulled or such indebtedness repaid within a period of 30 days after receipt of a notice of default, provided that if any such default or acceleration is cured, waived, rescinded or annulled, then the Event of Default by reason thereof shall be deemed not to have occurred;
- (e) if one or more final judgments, decrees or orders, after available appeals have been exhausted, shall be awarded against the Corporation or any of its Subsidiaries for an aggregate amount in excess of \$1,000,000 and the Corporation or its Subsidiaries have not either satisfied such judgments, decrees or orders or provided security for any such judgments, decrees or orders within 20 days of such judgment, decree or order being awarded;
- (f) if any of this Debenture or any Security or any material provision of any of the foregoing shall at any time for any reason cease to be in full force and effect, be declared to be void or voidable (and the same is not forthwith effectively rectified or replaced by the Corporation) or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or the Corporation shall deny that it has any or any further liability or obligation thereunder, or at any time it shall be unlawful or impossible for them to perform any of their respective obligations under this Debenture, or the Security;
- (g) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period equal to 30 days;
- (h) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;
- (i) if the Corporation ceases to carry on business;
- (j) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 12.1 are duly observed and performed;
- (k) if, after the date of this Debenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction;

- (l) the failure to perform or observe any of the other covenants, agreements or obligations under this Debenture or any other Transaction Document for 30 days after written notice of such failure from the Holder to the Corporation or from the Corporation to the Holder; or
- (m) if any material provision of any Transaction Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or if any Charge constituted pursuant to the Transaction Documents ceases to have the priority contemplated therein.

If such an event shall occur and be continuing, the Holder may, in its discretion, subject to the provisions of Section 9.2, by notice in writing to the Corporation declare the principal of and interest on this Debenture then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Holder, and the Corporation shall forthwith pay to the Holder such principal, accrued and unpaid interest and interest at the Default Rate (as defined below) on amounts in default on this Debenture (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Corporation, the premium, if any, on this Debenture then outstanding which would have been payable upon the redemption thereof by the Corporation on the date of such declaration) and all other monies outstanding hereunder, together with subsequent interest at the Default Rate on such principal, interest and such other monies from the date of such declaration until payment is received by the Holder, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of this Debenture. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

Notwithstanding anything contained herein, this Debenture shall bear interest on the due and unpaid principal, interest and all other monies outstanding hereunder from and after the occurrence and during the continuance of an Event of Default pursuant to Section 9.1 at the rate (the "**Default Rate**") equal to the lower of 20% per annum or the highest rate permitted by Applicable Laws.

## **9.2 Waiver of Default**

Upon the happening of any Event of Default hereunder the Holder of this Debenture shall have the power to waive any Event of Default. No such act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

## **9.3 Enforcement by the Holder**

If the Corporation shall fail to pay to the Holder, forthwith after the same shall have been declared to be due and payable under Section 9.1, the principal of and premium (if any) and interest on this Debenture then outstanding, together with any other amounts due hereunder, the Holder may in its discretion, proceed in its name to obtain or enforce payment of such principal of and premium (if any) and interest on this Debenture then outstanding together with any other amounts due hereunder by such proceedings authorized herein or by law or equity as the Holder shall deem expedient.

The Holder shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Holder allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.

The Holder, upon the occurrence of an Event of Default, may, in its absolute discretion, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or by deferred payment arrangement. The Holder may make any such

sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof.

The Holder shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Holder.

#### **9.4 Proceeds of Realization**

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Charge or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to Applicable Laws, to the Corporation.

#### **9.5 Remedies Cumulative and Not Exclusive**

No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall be cumulative and shall be in addition to every other right, power or remedy given hereunder or now existing or hereafter to exist by law or by statute. Every right, power and remedy given to the Holder or to a receiver by this Debenture or under Applicable Laws may be exercised from time to time and as often as may be deemed expedient by the Holder or such receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the fullest extent permitted by Applicable Laws, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

#### **9.6 Immunity of Holder and Others**

The Holder hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of this Debenture or on any covenant, agreement, representation or warranty by the Corporation herein or in this Debenture contained.

#### **9.7 Judgment Against the Corporation**

The Corporation covenants and agrees with the Holder that, in case of any judicial or other proceedings to enforce the rights of the Holder, judgment may be rendered against it in favour of the

Holder for any amount which may remain due in respect of this Debenture and premium (if any) and the interest thereon and any other monies owing hereunder.

## 9.8 Receiver

Upon the occurrence of an Event of Default, the Holder may in its absolute discretion, appoint a receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a receiver;
- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a receiver under Applicable Law;
- (d) the Holder may from time to time fix the reasonable remuneration of the receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any receiver may issue certificates (in this Section 9.8 called "**Receiver's Certificates**"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;
- (g) every receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such receiver and the Holder may from time to time determine what funds any receiver shall be at liberty to keep on hand with a view to the performance of its duties as such receiver.



## 9.9 Indemnity

Without in any manner derogating from the specific nature of the Charges granted to the Holder pursuant hereto, the Corporation expressly acknowledges and agrees that the Holder has not by virtue of its acceptance of this Debenture and the Charges granted hereunder assumed care and control of, or any responsibility for, the Collateral or any party thereof, and that the Corporation remains fully responsible for ensuring that the Collateral is operated, managed and maintained in a proper and prudent manner, in accordance with good industry practice, and in accordance with all Applicable Laws (including, without limitation, Environmental Laws). The Corporation hereby covenants with the Holder that it shall at all times hereafter keep the Holder indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, demands or claims instituted or made against the Holder, and all costs, losses, liabilities (including Environmental Liabilities), damages and expenses (including all legal fees on a solicitor and his own client, full indemnity basis) incurred by the Holder in any way relating to, arising out of, or incidental to any of the transactions contemplated by this Debenture, including, without limitation:

- (i) any failure on the part of the Corporation or any other person or entity dealing with the Collateral to observe and comply fully with all Applicable Laws, and with the lawful terms of all agreements, instruments and arrangements forming part of or relating to the Collateral, or by which the Corporation is otherwise bound, and which any of such indemnified parties suffers or incurs as a result of being the holder of the Charges granted hereunder and related rights hereunder;
- (ii) the Release of any contaminant, the threat of Release of any contaminant, or the presence of any contaminant affecting the Collateral, whether or not the same originates or emanates from the Collateral or any contiguous real property;
- (iii) any costs of removal or remedial action imposed by any person or damages from, injury to, destruction of or loss to the Collateral or any contiguous real property, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Law;
- (iv) any non-compliance by the Corporation or any predecessor in title to the Collateral under any applicable Environmental Law with respect to the Collateral;
- (v) any step taken by any person or entity to enforce compliance with or to collect or impose penalties, fines, or other sanctions provided by any Environmental Law with respect to the Collateral;
- (vi) liability for personal injury or property damages arising under any statutory or common law tort theory, including without limitation, third party, consequential and indirect damages and damages assessed for the maintenance of a public or private nuisance or for the carrying on of the dangerous activity at any or near any Collateral;
- (vii) all environmental, health, reclamation and clean-up costs and obligations associated with or pertaining to the abandonment or reclamation of the Collateral, including any facilities, buildings, fixtures or equipment located thereon; and
- (viii) any obligation or liability arising directly or indirectly from the provision by any of such indemnified parties directly or indirectly of any funds to the Corporation as a result of which any contingent exposure to any of the foregoing liabilities listed in paragraphs (i) through (vii) above may arise, or as a result of taking or being granted any Charges

granted hereunder or effecting any realization of, against or upon any of such indemnified parties or any of the Collateral.

If and for so long as no Event of Default has occurred and is continuing, the Corporation, at its option, shall be entitled to conduct the defense of such suit, action or proceeding with the participation of and taking into account the best interests of the Holder. If the Holder shall determine in good faith that the defense of any such suit, action or proceeding is not being conducted in its best interests, the Holder, shall on notice to the Corporation (and for the account of the Corporation) be entitled to take over the sole conduct of the defense of such suit, action or proceeding. This indemnity shall extend to the officers, directors, employees, agents, shareholders and assignees of the Holder and it shall survive repayment or cancellation of the Obligations secured hereby and the discharge or release of the Charges provided hereunder or otherwise.

#### **9.10 Possession**

The Corporation shall, on demand by the Holder or any receiver following the occurrence of an Event of Default, yield up possession of the Collateral or any part thereof as demanded by the Holder and put no obstacle in the way of, but facilitate by all legal means, the actions of the Holder or any receiver and not interfere with the carrying out of the powers hereby granted to the Holder or any receiver.

#### **9.11 Information**

All statements, reports, certificates, opinions and other documents or information required to be furnished to the Holder by the Corporation under this Debenture shall be supplied by the Corporation without cost to the Holder. If the Corporation fails to pay any amounts required to be paid by it under this Debenture or if the Corporation fails or to observe or perform any of the covenants and obligations set forth in this Debenture to be observed or performed by it, the Holder and any receiver may, but shall be under no obligation to, pay such amounts or do such act or things as may be required to ensure such observance and performance, without waiving any of its rights under this Debenture. No such payment, act or thing by the Holder or any receiver shall relieve the Corporation from any default under this Debenture or the consequences of such default. The reasonable expenses (including the cost of any insurance and payment of taxes or other charges and legal fees and expenses on a solicitor and his own client, full indemnity, basis) paid by the Holder or any receiver shall be deemed advanced to the Corporation by the Holder or such receiver, shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum. In addition, the Corporation shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client, full indemnity, basis) incurred by the Holder, or any receiver in connection with the preparation, negotiation of terms, perfection, execution, protection, enforcement of and advice with respect to this Debenture (including the realization, disposition, retention, protection or collection of the Collateral or Security or any part thereof and the protection and enforcement of the rights of the Holder, and any receiver hereunder together with all remuneration paid to a receiver and all costs, charges and expenses of or incidental to any receivership) and such expenses shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum.

#### **9.12 Power of Attorney**

The Corporation hereby irrevocably constitutes and appoints the Holder 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 Corporation and in the name of the Corporation or in its own name, from time to time in the Holder's discretion, for the purpose of carrying out the terms of this Debenture, to take any and all appropriate action and to execute any and all

documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Debenture and which the Corporation being required to take or execute has failed to take or execute provided that this power of attorney shall not be effective until the Charge becomes enforceable. The Corporation hereby ratifies all that said attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and will be irrevocable until the Obligations have been unconditionally and irrevocably paid and performed in full. The Corporation also authorizes the Holder, at any time and from time to time, to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral in connection with the sale provided for in Section 9.3.

## **ARTICLE 10**

### **SATISFACTION AND DISCHARGE**

#### **10.1 Cancellation and Destruction**

This Debenture shall forthwith after payment of all obligations hereunder, be delivered to the Corporation for cancellation and shall be destroyed by the Corporation.

#### **10.2 Discharge**

The Holder shall at the written request of the Corporation release and discharge this Debenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Holder and the other beneficiaries under Section 9.9 and the survival provisions set forth in Section 10.4), upon satisfaction or payment of the principal and premium (if any) of and interest (including interest on amounts in default, if any), on this Debenture and all other monies payable hereunder or that this Debenture having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on this Debenture and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

#### **10.3 Satisfaction**

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged this Debenture and the Holder, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of this Debenture, when the Corporation has deposited or caused to be deposited with the Holder for the purpose of making payment on this Debenture, an amount in money sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest, if any, to maturity or any repayment date or Redemption Dates, as the case may be, of this Debenture, and the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Holder for the payment of all other sums payable with respect to all of this Debenture (together with all applicable expenses of the Holder in connection with the payment of this Debenture).
- (b) Upon the satisfaction of the conditions set forth in this Section 10.3, the terms and conditions of this Debenture, including the terms and conditions with respect thereto set forth in this Debenture (other than those contained in Article 2 and Article 4 and the provisions of Article 1 pertaining to Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

#### **10.4 Survival**

Notwithstanding anything to the contrary in this Debenture, including without limitation Sections 10.2 and 10.3, subsequent to conversion of the Debenture and for so long as the Holder and its

Affiliates collectively beneficially own not less than ten percent (10%) of the issued and outstanding Common Shares of the Corporation, the terms and conditions contained in Sections 7.2(b), 7.3, 7.4, 7.5, 7.10, 7.11, 7.12 and 7.16 shall survive and continue to be binding upon the Corporation. Additionally, subsequent to conversion of the Debenture and for so long as the Holder beneficially owns any Common Shares of the Corporation, the terms and conditions contained in Section 7.18 and 7.19 shall survive and continue to be binding upon the Corporation except that all references to "10%" in Section 7.18 shall be read as "15%" subsequent to conversion.

The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for the better accomplishing and effectuating the purpose of this Section 10.4.

## **ARTICLE 11 PRE-EMPTIVE RIGHT TO ISSUANCES**

### **11.1 Pre-emptive Right to Treasury Issuances**

From the period commencing on the date hereof and expiring on the Maturity Date, any Common Shares, securities convertible into Common Shares, or securities carrying voting rights ("Securities") to be issued by the Corporation, other than those to be issued pursuant to: (i) the 2012 Debentures; and (ii) the Corporation's share option plan and other ordinary course employment benefit plan, shall be first offered by the Corporation to the Holder (on behalf of the Holder and its Affiliates) immediately after a subscription price is determined or fixed by the Board. If the Holder or its Affiliates do not agree to take up any of such offered Securities within 30 days after receipt of such offer, such Securities, or remaining Securities that the Holder has not agreed to acquire, may be issued to any Person at a price not less than the aforesaid subscription price at any time during the 30 days commencing on the earlier of: (a) the date which the Holder advises the Corporation in writing that it and its Affiliates either (i) will not take up such Securities; or (ii) take up all or a portion of the Securities; or (b) the expiry of the aforesaid 30 day period during which the Holder or its Affiliates may agree to take up such Securities, without notice having been provided by the Holder to the Corporation.

The completion of the purchase of the Securities by the Holder, shall, if applicable, occur concurrently with the purchase and sale of Securities by any other Person and shall occur no earlier than the 10th Business Day after the expiry of the 30 day period referred to above. The process for the completion of the purchase and sale shall be agreed to by the Corporation and the Holder, each acting reasonably and in good faith.

## **ARTICLE 12 SUCCESSORS**

### **12.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.**

The Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a "Successor") whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:

- (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Debenture;
  - (ii) this Debenture will be valid and binding obligations of the Successor entitling the Holder thereof, as against the Successor, to all the rights of Holder under this Debenture; and
  - (iii) in the case of an entity organized otherwise than under the laws of the Province of Alberta, shall attorn to the jurisdiction of the courts of the Province of Alberta; and
- (b) such transaction, in the opinion of Counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Holder hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

## **12.2 Vesting of Powers in Successor**

Whenever the conditions of Section 12.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Debenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Debenture forthwith upon the Corporation delivering to the Holder an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the Successor. The Holder will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

## **ARTICLE 13 MEETINGS OF HOLDERS**

### **13.1 Right to Convene Meeting**

The Corporation may at any time and from time to time, and the Corporation shall, on receipt of a written request signed by the Holders of not less than 25% of the principal amount of the Debentures then outstanding convene a meeting of the Holders. In the event of the Corporation failing, within 30 days after receipt of any such request, to give notice convening a meeting, such Holders may convene such meeting. Every such meeting shall be held in the City of Calgary or at such other place as may be approved or determined by the Corporation or the Holders, as applicable.

### **13.2 Notice of Meetings**

At least 21 days' notice of any meeting shall be given to the Holders in the manner provided in Section 14.2. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any Holder shall not invalidate any resolution passed at any such meeting. A Holder may waive notice of a meeting either before or after the meeting.

### **13.3 Chairman**

A Person, who need not be a Holder, nominated in writing by the Corporation shall be chairman of the meeting and if no Person is so nominated, or if the Person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Holders present in person or by proxy shall choose a Person present to be chairman.

### **13.4 Quorum**

Subject to the provisions of Section 13.12, at any meeting of the Holders a quorum shall consist of Holders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Holders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Holders or pursuant to a request of the Holders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Holders present in person or by proxy shall, subject to the provisions of Section 13.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting, which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

### **13.5 Power to Adjourn**

The chairman of any meeting at which a quorum of the Holders is present may, with the consent of the Holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

### **13.6 Show of Hands**

Every question submitted to a meeting shall, subject to Section 13.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

### **13.7 Poll**

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Holders or proxies for Holders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

### **13.8 Voting**

On a show of hands every person who is present and entitled to vote, whether as a Holder or as proxy for one or more Holders or both, shall have one vote. On a poll each Holder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in

respect of each \$1,000 principal amount of Debentures of which he shall then be the holder. A proxy need not be a Holder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

### **13.9 Proxies**

A Holder may be present and vote at any meeting of Holders by an authorized representative. The Corporation for the purpose of enabling the Holders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

- (a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Holder;
- (b) the deposit of instruments appointing proxies at such place as the Corporation or the Holders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited;
- (c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and
- (d) generally for the calling of meetings of Holders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Holders and persons whom Holders have by instrument in writing duly appointed as their proxies.

### **13.10 Persons Entitled to Attend Meetings**

The Corporation, by its respective officers, directors and employees, the auditors of the Corporation and the legal advisers of the Corporation or of any Holders may attend any meeting of the Holders, but shall have no vote as such.

### **13.11 Powers Exercisable by Extraordinary Resolution**

In addition to the powers conferred upon them by any other provisions of this Debenture or by law, a meeting of the Holders shall have the following powers exercisable from time to time by Extraordinary Resolution:

- (a) to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;

- (b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Holders against the Corporation, or against its property, whether such rights arise under this Debenture or otherwise;
- (c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Debenture which shall be agreed to by the Corporation and to concur in and execute any debenture supplemental hereto embodying any modification, change, addition or omission;
- (d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof;
- (e) power to waive any default hereunder either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (f) power to restrain any Holder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;
- (g) power to direct any Holder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted hereunder, of the costs, charges and expenses reasonably and properly incurred by such Holder in connection therewith;
- (h) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- (i) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise on behalf of the Holders, such of the powers of the Holders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Holders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Holders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- (j) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;
- (k) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 13.11(j); and



- (l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Holders or by any committee appointed pursuant to Section 13.11(i).

### **13.12 Meaning of "Extraordinary Resolution"**

- (a) The expression "**Extraordinary Resolution**" when used in this Debenture means, subject as hereinafter in this Article 13 provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Holders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article 13 at which the holders of not less than 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66  $\frac{2}{3}$ % of the principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.
- (b) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

### **13.13 Powers Cumulative**

Any one or more of the powers in this Debenture stated to be exercisable by the Holders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Holders to exercise the same or any other such power or powers thereafter from time to time.

### **13.14 Minutes**

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Holders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

### **13.15 Instruments in Writing**

All actions which may be taken and all powers that may be exercised by the Holders at a meeting held as hereinbefore in this Article 13 provided may also be taken and exercised by the holders of 66  $\frac{2}{3}$ % of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression "Extraordinary Resolution" when used in this Debenture shall include an instrument so signed.

### **13.16 Binding Effect of Resolutions**

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 13 at a meeting of Holders shall be binding upon all the Holders, whether present at or absent from such meeting, and every instrument in writing signed by Holders in accordance with Section 13.15 shall be binding upon all the Holders, whether signatories thereto or not, and each and every Holder shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

### **13.17 Evidence of Rights of Holders**

Any request, direction, notice, consent or other instrument that this Debenture may require or permit to be signed or executed by the Holders may be in any number of concurrent instruments of similar tenor signed or executed by such Holders.

## **ARTICLE 14 NOTICES**

### **14.1 Notice to Corporation**

Any notice to the Corporation under the provisions of this Debenture shall be valid and effective if delivered to the Corporation at: Suite 1000, 737 – 7th Avenue S.W., Calgary, T2P 3P8, Attention: Chief Executive Officer, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Holder in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Debenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 14.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 14.1.

### **14.2 Notice to Holder**

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if delivered to the Holder at its principal office in the City of Edmonton, at the following address: 1100 - 10830 Jasper Avenue, Edmonton, Alberta T5J 2B3, Attention: Darren Baccus, Email: darren.baccus@aimco.alberta.ca or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Holder may from time to time notify the Corporation in writing of a change of address which thereafter, until by like notice shall be the address of the Holder to receive notices from the Corporation.

### **14.3 Mail Service Interruption**

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holder would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 14.2, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 14.2.

## **ARTICLE 15 CONFIDENTIALITY**

### **15.1 Confidentiality**

The Holder shall not use (other than for purposes of its investment in and holding of Debentures and Common Shares and its rights pursuant to this Debenture) or disclose to any Person, directly or indirectly, any Confidential Information at any time hereafter provided, however, that nothing in this Section 15.1 shall preclude the Holder from disclosing or using Confidential Information if: (a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Debenture; or (b) disclosure is required to be made by any law, regulation, governmental body or authority or by court order or under the rules of an applicable stock exchange and

the Holder has, to the extent allowed, provided the Corporation with prompt notice of such requirement or request so that the Corporation may seek an appropriate protection order, or waive compliance with any of the provisions hereof, or both. If, in the absence of either a protective order or a waiver by the Corporation, the Holder, in the reasonable opinion of its legal counsel, is required by law, securities regulation or policy to disclose any Confidential Information, the Holder may, without liability hereunder disclose that portion, and only that portion, of the Confidential Information that the Holder is required so to disclose and the Holder will exercise its reasonable efforts in such event to obtain reliable assurance that the Confidential Information will be accorded confidential treatment.

The Holder acknowledges and agrees that the obligations under this Section 15.1 are to remain in effect for a period of two (2) years from the date on which the terms and conditions in Section 7.4 are no longer binding upon the Corporation pursuant to Section 10.4.

## EXHIBIT "A"

### REPRESENTATIONS AND WARRANTIES

For the purposes of this Exhibit "A", the following terms shall have the meanings set forth below:

**"2013 Financial Information"** means, collectively, the unaudited consolidated income statement of the Corporation for the period from January 1, 2013 to October 31, 2013 and the account balance confirmation of the Corporation as at October 31, 2013, each as set forth in Exhibit "F";

**"Financial Statements"** means the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the report of the auditors thereon;

**"GLJ"** means GLJ Petroleum Consultants Ltd.; and

**"GLJ Report"** means the independent engineering evaluation of the bitumen reserves and contingent resources attributable to the Oil Sand Leases prepared by GLJ effective November 30, 2013 and dated December 19, 2013.

The Corporation hereby represents and warrants to the Holder as follows and acknowledges that the Holder is relying upon the following representations and warranties:

- (i) each of the Corporation and its Subsidiaries has been duly incorporated, amalgamated or formed (as the case may be) and organized and is valid and subsisting under the laws of the jurisdiction of its incorporation, amalgamation or formation (as the case may be) and has all requisite corporate or partnership capacity, power and authority, as applicable, to carry on its business as now conducted and to own, lease and operate its properties and assets;
- (ii) the Corporation does not have any Subsidiaries other than KemeX Ltd., Kemex Technologies Ltd., Oak Point Consulting Ltd., Kengimex Ltd. and 1<sup>st</sup>Site Technologies Ltd., and the Corporation is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the *Business Corporations Act* (Alberta)), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships;
- (iii) each of the Corporation and its Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
- (iv) each of the Corporation and its Subsidiaries has conducted its business in compliance in all material respects with all Applicable Laws and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of the Corporation and its Subsidiaries, as the case may be, as now conducted (except where the failure to so conduct its business or to hold such licences, registration or qualifications would not, individually or in the aggregate, have a Material Adverse Effect), all such licences, registrations or qualifications are valid and existing and in good standing (except where such lack of good standing would not have a Material Adverse Effect) and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have a Material Adverse Effect and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation

anticipates the Corporation or its Subsidiaries will be unable to comply with without constituting a Material Adverse Effect;

- (v) all of the issued and outstanding securities of the Corporation's Subsidiaries are validly issued as fully paid and non-assessable, the Corporation is, directly or indirectly, the registered and beneficial holder of all such issued and outstanding securities and holds such common shares with valid and marketable title to the securities free and clear of any liens, pledges, charges, encumbrances, security interests or other adverse claims whatsoever (other than bank security) and no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of its Subsidiaries or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued shares, securities (including convertible securities) or warrants of its Subsidiaries; and the Corporation has no material shareholdings in any other corporation, partnership or business organization;
- (vi) the minute books of each of the Corporation and its Subsidiaries contain full, true and correct copies of the constating documents of the Corporation and its Subsidiaries, as applicable, and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors, shareholders or partners, as the case may be, of the Corporation and its Subsidiaries, respectively, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;
- (vii) the books of account and other records of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices and the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded as necessary to facilitate preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets;
- (viii) since December 31, 2012, the Corporation has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction which is or may reasonably be expected to be material to the Corporation and which is not in the ordinary course of business;
- (ix) the Corporation and its Subsidiaries have duly and on a timely basis filed all tax returns due and required to be filed, have paid all taxes due and payable and have paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or its Subsidiaries and, to the best of the knowledge, information and belief of the Corporation, there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or its Subsidiaries, in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;
- (x) the Corporation is not aware of any material contingent tax liability of the Corporation or any grounds which will prompt a reassessment which would result in a material tax liability;

- (xi) the Corporation has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employee, officer, director, or non-resident person, the amount of all taxes and other deductions required by applicable law to be withheld and has duly and timely remitted the withheld amount to the appropriate taxing or other authority and has duly and timely issued tax reporting slips or returns in respect of any amount so paid or credited by it as required by Applicable Law;
- (xii) all filings made by the Corporation and its Subsidiaries under which the Corporation or its Subsidiaries has received or is entitled to government incentives, have been made in accordance, in all material respects, with all Applicable Laws and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or its Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;
- (xiii) except to the extent that any violation or other matter referred to in this subsection does not have a Material Adverse Effect (and, in respect of non-operated properties, to the knowledge, information and belief of the Corporation):
  - A. neither the Corporation nor its Subsidiaries are in violation of any Environmental Laws;
  - B. each of the Corporation and its Subsidiaries have operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - C. there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or its Subsidiaries that have not been remedied;
  - D. no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or its Subsidiaries;
  - E. neither the Corporation nor its Subsidiaries have failed to report to the proper federal, provincial, state, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law;
  - F. each of the Corporation and its Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their business and the ownership and use of their assets, all such licences, permits and approvals are in full force and effect, and except for: (A) notifications and conditions of general application to assets of the type owned by the Corporation and its Subsidiaries; and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), and neither the Corporation nor its Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and

- G. neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies thereof) have received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;
- (xiv) any and all operations of the Corporation and its Subsidiaries, and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation and its Subsidiaries, have been conducted in accordance with good oil and gas industry practices and in material compliance with Applicable Laws;
  - (xv) in respect of the assets and properties of the Corporation and its Subsidiaries that are operated by it, if any, each of the Corporation and its Subsidiaries hold all valid licences, permits and similar rights and privileges that are required and necessary under Applicable Laws to operate the assets and properties of the Corporation and its Subsidiaries, as the case may be, as presently operated except where to hold all valid licences, permits and similar rights would not have a Material Adverse Effect;
  - (xvi) the Corporation has full corporate capacity, power and authority to enter into the Transaction Documents and to perform its obligations set out herein and therein (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), and the Transaction Documents have been duly authorized, executed and delivered by the Corporation and the Transaction Documents are legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by Applicable Law;
  - (xvii) no action, approval, consent or vote on the part of the shareholders of the Corporation is or shall be necessary to consummate the transactions contemplated by the Transaction Documents;
  - (xviii) this Debenture has been duly and validly issued as fully paid and non-assessable;
  - (xix) the Corporation has full power and authority to issue the Common Shares issuable upon conversion, redemption or maturity of this Debenture and upon issuance thereof in accordance with this Debenture, such Common Shares will, at the time of issue, be duly allotted, validly issued and outstanding as fully paid and non-assessable;
  - (xx) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of the Transaction Documents by the Corporation or any of the transactions contemplated hereby or thereby (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the articles, by-laws or constating documents of the Corporation or its Subsidiaries, as applicable, (ii) any resolutions of shareholders or directors (or any committee thereof), as the case may be, of the Corporation or its Subsidiaries, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or its Subsidiaries is a party or by which it is bound, or (iv) any Applicable Law, which default or breach might reasonably be expected to have a Material Adverse Effect; and to the best of the knowledge of the Corporation, no event exists which would constitute an Event of Default or which, with the passage of time, giving of notice or both, would constitute an Event of Default;

(xxi) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or its Subsidiaries from the position set forth in the Financial Statements and there has not been any Material Adverse Effect since December 31, 2012; since that date there have been no material facts, transactions, events or occurrences which could constitute a Material Adverse Effect or transactions outside the ordinary course of business and, without limitation, since December 2012 there has been no material change with respect to the financial position of the Corporation (as represented in the Financial Statements) regarding:

- A. "cash and cash equivalents", which at October 31, 2013 was \$2,069,574, with reductions since October 31, 2013 for ordinary course general and administrative expenses;
- B. "exploration and evaluation assets", subject only to amortization in accordance with the Tax Act and regulations thereunder;
- C. "plant property and equipment", subject to amortization in accordance with the Tax Act and regulations thereunder;
- D. "intangible assets", subject to amortization in accordance with the Tax Act and regulations thereunder; and
- E. "liabilities", which are estimated to be at October 31, 2013 at \$240,300, and subject to additions since that time in the ordinary course of business; and

there have been no dividends declared by the Corporation; and no impairment has occurred to "exploration and evaluation assets", property plant and equipment" or "intangible assets" of the Corporation from the December 31, 2012 balances noted in the Financial Statements;

- (xxii) the Financial Statements fairly present, in accordance with International Financial Reporting Standards, consistently applied, the consolidated financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and, if applicable, its Subsidiaries (taken as a whole) as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and, if applicable, its Subsidiaries as at the dates thereof required to be disclosed by International Financial Reporting Standards. The Corporation represents that the 2013 Financial Information is accurate and complete with no omissions of material facts, transactions, events or occurrences which could constitute a Material Adverse Effect;
- (xxiii) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of this Debenture, except such as may be required by Applicable Securities Legislation;
- (xxiv) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation or its Subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way could constitute a Material Adverse Effect and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;



- (xxv) the authorized capital of the Corporation consists of an unlimited number of Common Shares of which 86,411,769 Common Shares are issued and outstanding as at the date hereof, each of which shares is validly issued, fully paid and non-assessable;
- (xxvi) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (A) 3,420,000 Common Shares subject to options granted by the Corporation pursuant to its stock option plan; and (B) the 2012 Debentures;
- (xxvii) other than as disclosed in writing by the Corporation to the Holder, none of the directors, officers or employees of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation;
- (xxviii) other than as disclosed in writing by the Corporation to the Holder, no officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any associate or affiliate of any such persons, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the Corporation's properties or assets or any revenue or rights attributed thereto;
- (xxix) to the knowledge of the Corporation, none of the Corporation or its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangement in respect of outstanding securities of the Corporation;
- (xxx) no securities commission or similar regulatory authority in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Legislation;
- (xxxi) the Corporation is not a "reporting issuer" within the meaning of Applicable Securities Legislation;
- (xxxii) to the knowledge of the Corporation, no insider of the Corporation has advised the senior officers of the Corporation of their present intention to sell any securities of the Corporation;
- (xxxiii) the form and terms of definitive certificates representing the Common Shares have been, duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;
- (xxxiv) the Corporation has made available to GLJ, prior to the issuance of the GLJ Report, for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, the Corporation has no knowledge of a material adverse change in any production, cost, reserves or other relevant information provided to GLJ since the dates that such information was so provided. The Corporation believes that the GLJ Report reasonably presents: (A) the quantity and pre-tax present worth values of the bitumen reserves attributable to the Oil Sand Leases; and (B) the quantity of the contingent resources attributable to the Oil Sands Leases, in each case, based upon information available at the time

the GLJ Report was prepared, and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to changes in commodity prices since the date of the GLJ Report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves, the estimated monthly production volumes therefrom, or the aggregate quantity of such contingent resources;

- (xxxv) the GLJ Report has not been amended, supplemented or superceded;
- (xxxvi) although it does not warrant title, the Corporation does not have reason to believe that the Corporation or its Subsidiaries do not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the “Interest”) and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation or Subsidiaries except as those arising in the ordinary course of business or pursuant to the 2012 Debentures, and that, to the knowledge of the Corporation, each of the Corporation and Subsidiaries holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a Material Adverse Effect;
- (xxxvii) the Corporation is not aware of any defects, failures or impairments in the title of any of the Corporation or Subsidiaries to its crude oil, natural gas liquids, natural gas and bitumen properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which, in aggregate, could have a material adverse effect on: (A) the quantity and pre-tax present worth values of bitumen reserves attributable to the Oil Sand Leases; or (B) the quantity of contingent resources attributable to the Oil Sand Leases;
- (xxxviii) other than as disclosed in the Financial Statements, the Corporation has not completed any “significant acquisition” (as such term is defined in National Instrument 51-102, *Continuous Disclosure Obligations*) and, the Corporation is not proposing any “proposed acquisition” (as such term is used in Item 10 of Form 44-101F1 to NI 44-101);
- (xxxix) to the knowledge of the Corporation, Deloitte LLP are independent chartered accountants with respect to the Corporation;
- (xl) there has not been any “reportable event” (within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations*) with the present or any former auditor of the Corporation;
- (xli) neither the Corporation nor its Subsidiaries is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation or its Subsidiaries and Applicable Laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person (other than the Corporation and/or its Subsidiaries);
- (xlii) other than pursuant to the 2012 Debentures, neither the Corporation nor its Subsidiaries has any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm’s length with the Corporation or its Subsidiaries that are currently outstanding;
- (xliii) each of the Corporation and its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring the Corporation and its Subsidiaries or their respective businesses, assets, employees, officers and directors are in full

force and effect, except where the failure to be in full force and effect would not constitute a Material Adverse Effect;

- (xlv) other than as disclosed in writing by the Corporation to the Holder, there are no material contracts or agreements to which the Corporation or its Subsidiaries is a party or by which it is bound and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation or its Subsidiaries, as the case may be, enforceable in accordance with their respective terms and, to the knowledge of the Corporation, no party thereto is in default thereunder. For the purposes of this paragraph, any contract or agreement pursuant to which the Corporation or its Subsidiaries will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$500,000, in either case in the next 12 months, or is out of the ordinary course of business of either the Corporation or its Subsidiaries, shall be considered to be material;
- (xlv) other than as disclosed in writing by the Corporation to the Holder, neither the Corporation nor its Subsidiaries is a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;
- (xlvi) neither the Corporation nor its Subsidiaries have any entered into any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);
- (xlvii) to the best of the Corporation's knowledge, all accounts receivable in any material amount of the Corporation are deemed collectible;
- (xlviii) neither the Corporation nor, to the knowledge of the Corporation, any officer, director, employee or agent of the Corporation has, directly or indirectly (a) paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any broker, finder, agent, client representative, employee, political party or campaign, government official or other person, which any officer, director, employee or agent of the Corporation knew or had reason to believe, or ought to have known, was in violation of the *Corruption of Foreign Public Officials Act* (Canada), the *United States Foreign Corrupt Practices Act of 1977*, as amended, or any applicable law implementing the provisions of the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); or (b) made or received an unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment;
- (xlix) the Corporation has not been, nor to the knowledge of the Corporation, has any director, officer, agent, employee, affiliate or person acting on behalf of the Corporation been or is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department ("OFAC"); and the Corporation will not directly or indirectly use any proceeds of the distribution of this Debenture, or lend, contribute or otherwise make available such proceeds to the Corporation or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person targeted by any of the sanctions of the United States administered by OFAC;
- (l) the operations of the Corporation are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes

of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-governmental authority involving the Corporation with respect to the Money Laundering Laws is, to the best knowledge of the Corporation, pending or threatened;

- (li) the Corporation and its Subsidiaries have, all proprietary rights provided in law to all patents, trademarks, copyrights, industrial designs, software, firmware, trade secrets, know-how, show-how, concepts, information and other intellectual and industrial property (collectively, "**Intellectual Property**") necessary to permit each to conduct its business as it is currently conducted except where the failure to have such rights would not have a Material Adverse Effect. All such Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit "E", is free and clear of any encumbrances which would have a Material Adverse Effect on the Corporation and neither the Corporation nor its Subsidiaries has knowledge of any claim of adverse ownership in respect thereof except where the failure to own or have such right of use would not have a Material Adverse Effect. Neither the Corporation nor any of its Subsidiaries license for use any Intellectual Property, the loss of which would have a Material Adverse Effect on it;
- (lii) to the knowledge of the Corporation, none of the use by it or its Subsidiaries of the Intellectual Property necessary to permit each to conduct its business as it is currently conducted, including for certainty that Intellectual Property set forth in Exhibit "E", all applications therefor or the conduct of the business of each it and its Subsidiaries infringes upon, misappropriates or breaches the industrial or intellectual property rights of any other person;
- (liii) the Corporation has disclosed to the Holder a complete and accurate list of all registrations, and applications for registration, of Intellectual Property owned by the Corporation and its Subsidiaries ("**Registered Intellectual Property**") in Exhibit "E". The Corporation or its Subsidiaries hold the entire right, title and interest in and to all of the Registered Intellectual Property and have the exclusive and unfettered right to make, use and sell the Registered Intellectual Property to the extent of the rights granted therein. Neither the Corporation nor its Subsidiaries has knowledge of any invalidity or unenforceability of the Registered Intellectual Property. None of the Intellectual Property owned by the Corporation ("**Owned Intellectual Property**") has been licensed to another entity other than in the ordinary course of business;
- (liv) all of the Owned Intellectual Property is identified in Exhibit "E";
- (lv) the employees or individual contractors who originally contributed to the development of the Owned Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit "E", have (i) assigned all of their rights therein to Corporation, and (ii) waived their moral rights (if any) in the Owned Intellectual Property except as would not have a Material Adverse Effect; and
- (lvi) neither the Corporation nor any of its Subsidiaries has commenced legal proceedings against any Person relating to infringement, misappropriation or breach by such Person of any Intellectual Property owned by the Corporation or such Subsidiary, including for certainty that Intellectual Property set forth in Exhibit "E".

**EXHIBIT "B"**

**CONVERSION NOTICE**

TO: OAK POINT ENERGY LTD.

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 15.0% Senior Secured Redeemable Convertible Debenture irrevocably elects to convert this Debenture (or \$\_\_\_\_\_ principal amount thereof\*) in accordance with the terms of this Debenture and tenders herewith this Debenture, and, if applicable, directs that the Common Shares of Oak Point Energy Ltd. issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: \_\_\_\_\_  
(Signature of Registered Holder)

\* If less than the full principal amount of this Debenture, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a Canadian Schedule 1 chartered bank, a major Canadian trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: \_\_\_\_\_

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, Province and Postal Code)

Name of guarantor: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

**EXHIBIT "C"**

**REDEMPTION NOTICE**

To: The Holder of 15.0% Senior Secured Redeemable Convertible Debenture (the "**Debenture**") of Oak Point Energy Ltd. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the Debenture that the aggregate principal amount of \$• of the \$• of Debenture outstanding will be redeemed as of • (the "**Redemption Date**"), upon payment of a redemption amount of \$[•] for each \$1,000 principal amount of the Debenture, being equal to the aggregate of (i) \$• (the "**Redemption Price**"), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the "**Total Redemption Price**").

The Total Redemption Price will be payable upon presentation and surrender of this Debenture called for redemption at the following office of the Holder set out in the Debenture.

The interest upon the principal amount of Debenture called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of this Debenture at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Debenture.

DATED:

**OAK POINT ENERGY LTD.**

---

(Authorized Director or Officer)

**EXHIBIT "D"**  
**OIL SANDS LEASES**

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
<b>(a) Lewis Lands</b>			
<p>Twp 92 Rge 7 W4M: Sec 27 &amp; 34 Twp 93 Rge 7 W4M: Sec 3 &amp; 4</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407050728</p>	100%	<p>Crown S/S</p> <p>1% GORR – Diamond Head Investments Ltd.</p>
<p>Twp 93 Rge 7 W4M: Sec 1</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407100672</p>	100%	<p>Crown S/S</p> <p>1% GORR – Diamond Head Investments Ltd.</p>
<b>(b) Lewis SW Lands</b>			
<p>Twp 91 Rge 8 W4M: Sec 10 &amp; 15</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407100671</p>	100%	<p>Crown S/S</p> <p>1% GORR – Diamond Head Investments Ltd.</p>
<b>(c) Great Divide West Lands</b>			
<p>Twp 82 Rge 14 W4M: Sec 6</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407010528</p>	100%	<p>Crown S/S</p> <p>1% GORR – Diamond Head Investments Ltd.</p>
<p>Twp 82 Rge 14 W4M: Sec 7</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407010529</p>	100%	<p>Crown S/S</p> <p>1% GORR – Diamond Head Investments Ltd.</p>

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
Twp 82 Rge 14 W4M: Sec 23  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110500	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 33  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110502	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 14  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110499	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 15 W4M: Sec 1  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407010530	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(d) Chelsea River Lands</b>			
Twp 95 Rge 15 W4M: Sec 4 & 9  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406090454	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(e) Duncan Lands</b>			
Twp 75 Rge 16 W4M: Sec 27  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010274	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 75 Rge 16 W4M: Sec 35  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010275	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.



**EXHIBIT "E"**  
**INTELLECTUAL PROPERTY**

# INSite/KEMEX Patent Applications

<i>Title</i>	<i>Country</i>	<i>Application Number</i>	<i>Filing Date</i>	<i>Status<sup>3</sup></i>
Vapour Recovery Unit for Steam Assisted Gravity Drainage (SAGD)	US Provisional	61/376,298	24-Aug-10	
	US	13/074,275	29-Mar-11	Current
	Canada	2,735,069	29-Mar-11	Current
An Improved Water Recovery System SAGD System Utilizing a Flash Drum	US Provisional	61/376,300	24-Aug-10	
	US	13/074,283	29-Mar-11	Current
	Canada	2,735,061	29-Mar-11	Current
Contaminant Control System in Evaporative Water Treating System	US Provisional	61/376,301	24-Aug-10	
	US	13/074,265	29-Mar-11	Current
	Canada	2,735,097	29-Mar-11	Current
	China	201180051228-8	29-Mar-11	Current
	Colombia	13057-867	22-Mar-13	Current
	Europe	11819218-6	29-Mar-11	Current
	Kazakhstan	2013/1522-1	22-Feb-11	Current
	Madagascar	2013/8	29-Mar-11	Current
	Russia	2013107909	29-Mar-11	Current
	Oman	OM/P/2013/00039	24-Feb-11	Current
	Mexico	MX/a/2013/002224	25-Feb-13	Current
	Poland	P404140	22-Feb-13	Current
	Brazil	BR 11 2013 004388 1	25-Feb-13	Current
	Nigeria	NG/C/2013/138	29-Mar-11	Current
	United Arab Emirates	P/191/2013	24-Feb-13	Current

Singapore	201301335-4	29-Mar-11	Current
India	469/KOLNP/2013	22-Feb-13	Current
Australia	2011293034	29-Mar-11	Current

Modular Mobile System for SAGD Process

US Provisional	61/437,292	28-Jan-11	
US	13/095,318	27-Apr-11	Current
Canada	2,738,259	27-Apr-11	Current
China	201180066312-7	26-Jul-13	Current
Kazakhstan	2013/1625-1	26-Aug-13	Current
Madagascar	2013/30	27-Apr-11	Current
Russia	2013139465	26-Aug-13	Current
Oman	OM/P/2013/179	29-Jul-13	Current
Mexico	MX/a/2013/008727	26-Jul-13	Current
United Arab Emirates	818/2013	28-Jul-13	Current
Nigeria	NG/C/2013/507	27-Apr-13	Current
Australia	2011357584	12-Jul-13	Current
India	5598/CHENP/2013	25-Jul-13	Current
Singapore	201305720-3	27-Apr-13	Current
Brazil	BR 11 2013 018814 6	23-Jul-13	Current
Poland	P-406240	19-Jul-13	Current

Compact Evaporator for Modular SAGD Process

US Provisional	61/436,723	27-Jan-11	
US	13/087,708	15-Apr-11	Current
Canada	2,737,624	15-Apr-11	Current
China	201180066313-1	15-Apr-11	Current
Singapore	201305721-1	15-Apr-11	Current
Kazakhstan	2013/1624-1	24-Aug-13	Current
Russia	2013139465	26-Aug-13	Current

	Nigeria	NA <sup>1</sup>	15-Apr-11	Current
	United Arab Emirates	819/2013	28-Jul-13	Current
	Australia	2011357583	15-Apr-11	Current
	India	6002/CHENP/2013	25-Jul-13	Current
	Madagascar	2013/29	15-Apr-11	Current
	Oman	OM/P/2013/00175	27-Jul-13	Current
	Mexico	MX/a/2013/008726	26-Jul-13	Current
	Poland	P406241	15-Apr-11	Current
	Brazil	BR 11 2013 018729 8	23-Jul-13	Current
Solvent Bitumen Recovery Process	US Provisional	61/691,484	21-Aug-12	
	US	13/971,893	21-Aug-13	Current
	PCT	PCT/CA2013/000730	21-Aug-13	Current
Gravity Separation Process	US Provisional	61/648,794	18-May-12	Abandoned
A Methodology and Preferred Software that, together, Reduce the Effort required to Write and Maintain Operating Procedures for Manufacturing Plants and Oil and Gas Facilities	US Provisional <sup>2</sup>	61/551,101	25-Oct-11	
	US	13/660,060	25-Oct-12	Current
	Canada	2,793,315	25-Oct-12	Current
	PCT	PCT/CA2012/000992	25-Oct-12	Current

<sup>1</sup> Filing Associate will be providing application number upon issuance.

<sup>2</sup> Note US Provisional was entitled "Object Oriented Operating Procedures". Renamed upon formalization "A Methodology and Preferred Software that together Reduce the Effort required to Write and Maintain Operating Procedures for Manufacturing Plants and Oil and Gas Facilities."

<sup>3</sup> Current means up to date in all respects.

**EXHIBIT "F"**

**2013 FINANCIAL INFORMATION**



**DRAFT**

**Consolidated Income Statement**

Periods: January 1, 2013 to October 31, 2013

**Revenue**

License, Engineering and Consulting Revenue	\$	7,000.00
Inter-Company Consulting Revenue	\$	-
Oil & Gas Revenue	\$	-
Other Income	\$	34,079.72
<b>Total Revenue</b>	<b>\$</b>	<b>41,079.72</b>

**Expenses**

Royalty Expenses	\$	-
Cost of Sales - License & Engineering Packages	\$	-
General and Administrative	\$	2,714,471.52
Finance and Interest	\$	1,279,422.14
Stock Based Compensation	\$	5,291,278.51
Income Tax	\$	(14,236.02)
Depletion, Depreciation, Amortization & Accretion	\$	9,443.64
Diluent and Blending	\$	-
Transportation	\$	-
Operating Expenses	\$	-
Research and Development Expense	\$	-
<b>Total Expenses</b>	<b>\$</b>	<b>9,280,379.79</b>
	<b>\$</b>	<b>(9,239,300.07)</b>

**The Bank of Nova Scotia**  
Calgary Business Service Centre  
P.O. Box 53069 Marlborough CRO  
Calgary, Alberta  
Canada T2A 7P1  
Tel: 1-888-855-1234  
Fax: 1-877-909-7038



Robert Nicolay, Co-President & Co-CEO  
Oak Point Energy Ltd  
1000, 734 - 7<sup>th</sup> Ave SW  
Calgary, AB T2P 3P8  
November 20, 2013

Re: Account balance confirmation

Dear Mr. Robert Nicolay:

The following is a confirmation of the balances on your accounts as of October 31<sup>st</sup>, 2013.

**Oak Point Energy Ltd**

12989 00110 10      \$1,556,933.36

12989 03673 11      \$230,537.48

**Oak Point Consulting Group Ltd**

12989 01184 19      \$14,103.96      Dormant

**Kemex Ltd**

30189 00624 13      \$10,840.25

10009 03364 16      \$256,000.00

30189 00217 17      \$1,160.66US      Dormant

Sincerely,

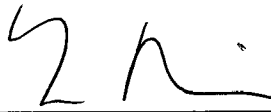
A handwritten signature in black ink, appearing to read 'Shannon Enes'.

Shannon Enes  
Assistant Manager  
Processing & Inquiries  
Transit: 12989 & 95968  
Ph: 1-888-855-1234  
Fax: 1-877-909-7038

# Exhibit "D"

This is Exhibit "D" to the  
Affidavit of Kate Malcolm

Sworn April 11, 2017



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Commissioner for taking affidavits



**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AFTER THE LATER OF: (A) DECEMBER 23, 2013; OR (B) THE DATE THE CORPORATION BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY**

**AMENDED AND RESTATED DEBENTURE**

**\$22,000,000**

**OAK POINT ENERGY LTD.**

**(A corporation existing under the *Business Corporations Act* (Alberta))**

**15.0% SENIOR SECURED REDEEMABLE CONVERTIBLE DEBENTURE  
DUE DECEMBER 23, 2015**

**OAK POINT ENERGY LTD.** (the “**Corporation**”) for value received hereby acknowledges itself indebted and promises to pay to Private Equity Oak LP (the “**Holder**”) on December 23, 2015 (the “**Maturity Date**”) or on such earlier date as the principal amount hereof may become due in accordance with the provisions of this Debenture, the principal sum of Twenty-Two Million Dollars (\$22,000,000) on presentation and surrender of this Debenture at the offices of the Corporation in Calgary, Alberta and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 15.0% per annum, in like money, in arrears in quarterly instalments on December 31, March 31, June 30 and September 30 in each year commencing on December 31, 2013, and provided that the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date and, should the Corporation at any time make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued on the original principal amount of \$20,000,000 from the original issuance date of this Debenture to, but excluding, December 31, 2013; the second interest payment will include interest accrued on the original principal amount of \$20,000,000 from December 31, 2013 to, but excluding, March 31, 2014; the third interest payment will include interest accrued on: (i) the original principal amount of \$20,000,000 from March 31, 2014 and (ii) the additional principal amount of \$2,000,000 from May [23], 2014, in each case to, but excluding, June 30, 2014. Interest will accrue and be payable on the full \$22,000,000 principal amount on all Interest Payment Dates after June 30, 2014.

This Debenture is issued upon the terms and conditions as are set out in Schedule “A” hereto, and the terms, conditions and provisions contained in Schedule “A” are incorporated herein and constitute a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meaning ascribed to them in Schedule “A” hereto.

**IN WITNESS WHEREOF OAK POINT ENERGY LTD.** has caused this Debenture to be signed by its authorized representatives as of the 23<sup>rd</sup> day of December 2013.

**OAK POINT ENERGY LTD.**

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

Amended and Restated as of May [23], 2014.

## SCHEDULE "A"

The following terms and conditions are applicable to the \$22,000,000, Amended and Restated 15% Senior Secured Convertible Debenture, due December 23, 2015 of Oak Point Energy Ltd.:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) **"1933 Act"** means the United States Securities Act of 1933, as amended;
- (b) **"2012 Debentures"** means the \$10,000,000 aggregate principal amount of 15.0% convertible secured redeemable debentures of the Corporation issued on September 19 and October 1, 2012;
- (c) **"Act"** means the *Business Corporations Act* (Alberta);
- (d) **"Affiliate"** shall have the meaning given in the Act;
- (e) **"Amendment and Restatement Date"** means May 23, 2014.
- (f) **"Applicable Laws"** means, in relation to any Person, property, transaction or event, all applicable provisions, whether now or hereafter in effect (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of all governmental authorities (whether or not having the force of law) and all judgments, orders and decisions of all governmental authorities in which the person in question is a party or by which it is bound or having application to the person, property, transaction or event;
- (g) **"Applicable Securities Legislation"** means applicable securities laws in each of the Provinces of Canada;
- (h) **"Board"** means the board of directors of the Corporation, as constituted from time to time;
- (i) **"Business Day"** means any day other than a Saturday, Sunday or any other day that Canadian chartered banks are not generally open for business in Calgary, Alberta;
- (j) **"Change of Control"** means:
  - (i) the purchase or acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or securities convertible into or carrying the right to acquire Common Shares;
  - (ii) the sale of all or substantially all of the assets of the Corporation; or
  - (iii) the completion by the Corporation of an amalgamation, arrangement, merger or other consolidation or combination involving the Corporation such that the previous Shareholders would not beneficially own, or exercise control or direction over, voting securities of the Corporation carrying the right to cast more than 50% of the votes attaching to all voting securities, or immediately following such an event, the directors of

the Corporation immediately prior to such event do not constitute a majority of the board of directors (or equivalent) of the successor or continuing corporation or entity immediately following such event;

- (k) **“Charge”** means the Security Interests created by or intended to be created by this Debenture;
- (l) **“Collateral”** means the Oil Sands Leases as described in Exhibit “D”;
- (m) **“Common Shares”** means common shares of the Corporation, as such common shares are constituted on the date of execution and delivery of this Debenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 5.5, “Common Shares” shall mean the common shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;
- (n) **“Confidential Information”** means all confidential or proprietary information, intellectual property (including trade secrets) and confidential facts relating to the business and affairs of the Corporation or its Affiliates together with all analysis prepared by the Holder based upon, in whole or in part, such information;
- (o) **“Conversion Price”** means the amount of one dollar (\$1.00) for which each Common Share may be issued from time to time upon the conversion of this Debenture which are by their terms convertible in accordance with, and subject to adjustment:
  - (i) prescribed by the provisions of Article 5; and
  - (ii) by reduction to a lesser price as is equal to the price at which any treasury issuance is made by the Corporation of Common Shares or the conversion or exchange price, respectively, of securities convertible or exchangeable into Common Shares, other than a treasury issuance pursuant to existing share option plans of the Corporation, such reduction being subject to any consents or restrictions required by any stock exchange or regulatory authority then having jurisdiction over the Corporation;
- (p) **“Corporation”** means Oak Point Energy Ltd. and includes any successor to or of the Corporation which shall have complied with the provisions of Article 12;
- (q) **“Corporation’s Auditors”** or **“Auditors of the Corporation”** means an independent firm of chartered accountants duly appointed as auditors of the Corporation;
- (r) **“Counsel”** means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Holder or retained or employed by the Corporation and acceptable to the Holder;

- (s) **“Creditor Proceedings”** means any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, plan of arrangement under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada), or similar proceedings of or with respect to the Corporation or its property or liabilities, or any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of the Corporation, or any bulk sale of assets by the Corporation, or proceedings in relation to any of the foregoing;
- (t) **“Debenture”** means this Amended and Restated 15.0% Senior Secured Redeemable Convertible Debenture due December 23, 2015, as amended and restated from time to time;
- (u) **“Default Rate”** has the meaning given in Section 9.1;
- (v) **“Environmental Laws”** means all Applicable Laws with respect to the environment or environmental or public health and safety matters contained in statutes, regulations, rules, ordinances, orders, judgments, approvals, notices, permits or policies, guidelines or directives having the force of law;
- (w) **“Environmental Liabilities”** means any and all indebtedness, liabilities and obligations for any Release, any environmental damage, any contamination or any other environmental problem caused or alleged to have been caused to any person, property or the environment as a result of any Release or the condition of any property or asset, whether or not caused by a breach of Applicable Laws, including all indebtedness, liabilities and obligations arising from or related to: any surface, underground, air, groundwater, or surface water contamination; restorations and reclamations; the removal of or failure to remove any foundations, structures or equipment; the cleaning up or reclamation of storage sites; any Release; violation of pollution standards; and personal injury (including sickness, disease or death) and property damage arising from the foregoing;
- (x) **“Event of Default”** has the meaning attributed thereto in Section 9.1;
- (y) **“Extraordinary Resolution”** has the meaning given in Section 13.12;
- (z) **“generally accepted accounting principles”** means generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, including applicable International Financial Reporting Standards;
- (aa) **“Holder”** or **“holder”** means Private Equity Oak LP and its successors and permitted assigns or the Person or Persons from time to time registered as the holder or holders of this Debenture pursuant to Section 6.1;
- (bb) **“Indebtedness”** means all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of a Person howsoever arising, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, including all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether such Person be bound alone or with others and whether as principal or surety, including all interest, fees, expenses, indemnities and costs;
- (cc) **“Intellectual Property”** has the meaning attributed thereto in paragraph (li) of Exhibit “A” hereto and, for certainty includes, but is not limited to, those items described in Exhibit “E” hereto;

- (dd) **“Interest Obligation”** means the obligation of the Corporation to pay interest on this Debenture, as and when the same becomes due in accordance with the terms herein;
- (ee) **“Interest Payment Date”** means a date specified in this Debenture as the date on which an instalment of interest on this Debenture shall become due and payable;
- (ff) **“IPO”** means an initial public offering of Common Shares by way of a prospectus, registration statement or similar document where, or in connection with which, the Common Shares are to become listed and posted for trading or quoted on a recognized securities exchange;
- (gg) **“Issue Date”** means December 23, 2013;
- (hh) **“Material Adverse Effect”** means any event, circumstance, occurrence or change which could reasonably be expected to:
  - (i) impair in any material manner the ability of the Corporation to perform, any material obligation under this Debenture, any other material Transaction Document or any material contract;
  - (ii) have any material and adverse effect upon the validity or enforceability of any of the Security or upon the ranking of any of the Security Interests granted thereby or the material rights or remedies intended or purported to be granted to the Holder under or pursuant to the Security; or
  - (iii) be material and adverse to the business, operations, assets, condition (financial or otherwise) or results of operations of the Corporation and its Subsidiaries (taken as a whole);
- (ii) **“Maturity Date”** means December 23, 2015;
- (jj) **“Nominated Directors”** shall have the meaning given in Section 7.18;
- (kk) **“Obligations”** means any and all present and future Indebtedness of the Corporation to the Holder under this Debenture;
- (ll) **“Officer’s Certificate”** means a certificate of the Corporation signed by any one authorized officer or director of the Corporation, on behalf of the Corporation, in his or her capacity as an officer or director of the Corporation, as the case may be, and not in his or her personal capacity;
- (mm) **“Oil Sands Leases”** means the Alberta crown oil sands leases described in Exhibit “D” and all extensions, renewals, replacements or amendments thereto;
- (nn) **“Owned Intellectual Property”** has the meaning attributed thereto in paragraph (liii) of Exhibit “A” hereto;
- (oo) **“Payment Account”** means such account as the Holder may from time to time advise the Corporation in writing;
- (pp) **“Permitted Encumbrances”** means:
  - (i) Security Interests for taxes, assessments or governmental charges not yet due or delinquent or the validity of which is being contested in good faith;

- (ii) Security Interests arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith;
- (iii) Security Interests under or pursuant to any judgment rendered or claim filed which are or will be appealed in good faith, provided any execution thereof has been stayed;
- (iv) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent;
- (v) Security Interests arising by operation of law such as builders' liens, carriers' liens, materialmens' liens and other liens of a similar nature which relate to obligations not due or delinquent;
- (vi) Security Interests incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of any of the Collateral as security in favour of any other Person which is conducting the exploration, development or operation of the property to which such Security Interests relate, provided such Security Interests relate to the costs and expenses of such exploration, development or operation, which have not at such time been filed pursuant to law and which relate to obligations not due or delinquent; and
- (vii) Security Interests granted in favour of the Holder hereunder;
- (qq) **"Person"** includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (rr) **"Redemption Date"** has the meaning attributed thereto in Section 4.2;
- (ss) **"Redemption Notice"** has the meaning attributed thereto in Section 4.2;
- (tt) **"Redemption Price"** means a price in cash equal to 125% of the principal amount of this Debenture plus accrued and unpaid interest thereon;
- (uu) **"Registered Intellectual Property"** has the meaning attributed thereto in paragraph (liii) of Exhibit "A" hereto;
- (vv) **"Release"** means any material release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leeching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface water, groundwater, rock formation or otherwise;
- (ww) **"Security"** means the Security Interest granted by the Corporation pursuant to Section 3.1 hereunder and any amendments thereto, and any and all other documents, instruments or agreements to which the Holder is granted or receives a Security Interest pursuant to the terms hereof or thereof;
- (xx) **"Security Interest"** means a mortgage, indenture, pledge, deposit by way of security, charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at

common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;

- (yy) **“Shareholder”** means a holder of Common Shares;
- (zz) **“Subsidiary”** has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (aaa) **“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;
- (bbb) **“Time of Expiry”** means the time of expiry of certain rights with respect to the conversion of this Debenture under Article 5;
- (ccc) **“Transaction Document”** means this Debenture, the Security, the subscription agreement dated the date hereof between the Holder and the Corporation and all other agreements, certificates, instruments and documents delivered by or on behalf of the Corporation in connection herewith or therewith from time to time and all future renewals, extensions or restatements, amendments, modifications or supplements to, all or any part of the foregoing; and
- (ddd) **“Written Direction of the Corporation”** means an instrument in writing signed in the name of the Corporation by any one of the Chief Executive Officer, the Chief Financial Officer, a Vice-President or the Corporate Secretary of the Corporation.

## 1.2 Meaning of “Outstanding”

This Debenture shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Corporation for cancellation, conversion or redemption for monies and/or Common Shares, as the case may be.

## 1.3 Interpretation

In this Debenture:

- (a) **“this Debenture”**, **“hereto”**, **“herein”**, **“hereby”**, **“hereunder”**, **“hereof”** and similar expressions refer to this Debenture and not to any particular Article, Section, Exhibit, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (c) all references to Articles, Schedules, and Exhibits refer, unless otherwise specified, to articles of, schedules to and exhibits to this Debenture;
- (d) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Debenture; and
- (e) words and terms denoting inclusiveness (such as “include” or “includes” or “including”), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them.



#### **1.4 Headings Etc.**

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

#### **1.5 Day not a Business Day**

In the event that any day on or before which any action required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

#### **1.6 Applicable Law**

This Debenture shall be construed 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.

#### **1.7 Monetary References**

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

#### **1.8 Invalidity**

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

#### **1.9 Successors and Assigns**

All covenants and agreements in this Debenture by the Corporation shall bind its successors and assigns, whether expressed or not.

#### **1.10 Benefits of Debenture**

Nothing in this Debenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent and the Holder, any benefit or any legal or equitable right, remedy or claim under this Debenture.

### **ARTICLE 2 INTEREST AND PAYMENTS**

#### **2.1 Payment of Interest**

- (a) This Debenture shall be dated as of the Issue Date and shall bear interest from such date of issue at the rate of 15.0% per annum, payable quarterly on December 31, March 31, June 30 and September 30, in each year, the first such payment to fall due on December 31, 2013 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the Default Rate, compounded annually. For certainty the first interest payment will include interest accrued on the original principal amount of \$20,000,000 from the Issue Date to, but excluding, December 31, 2013; the second interest payment will include interest accrued on the original principal amount of \$20,000,000 from December 31, 2013 to, but excluding, March 31, 2014; the third

interest payment will include interest accrued on: (i) the original principal amount of \$20,000,000 from March 31, 2014 and (ii) the additional principal amount of \$2,000,000 from the Amendment and Restatement Date, in each case to, but excluding, June 30, 2014. Interest will accrue and be payable on the full \$22,000,000 principal amount on all Interest Payment Dates after June 30, 2014. This Debenture will mature on December 23, 2015.

- (b) Interest for any period of less than six months shall be computed on the basis of a year of 365 days. Subject to Section 2.1(a) in respect of the method for calculating the amount of interest to be paid on this Debenture on the first and second Interest Payment Dates in respect thereof, with respect to this Debenture, whenever interest is computed on a basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act (Canada)* by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.
- (c) As interest becomes due on this Debenture, the Corporation shall pay such interest, on each Interest Payment Date by causing to be deposited to the Payment Account an amount equal to such interest in immediately available funds.

## **2.2 Payment of Principal**

On the Maturity Date, the Corporation shall deposit to the Payment Account an amount sufficient to pay the cash amount payable in respect of this Debenture (including the principal amount together with any accrued and unpaid interest thereon) in immediately available funds.

## **2.3 Time, Place and Currency of Payment**

Payments of the principal amount payable under this Debenture and interest and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian dollars for value at or before 10:00 a.m. (Calgary time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

# **ARTICLE 3 SECURITY**

## **3.1 Grant of Security Interest**

To secure the payment, performance and satisfaction in full of each and every Obligation in respect of this Debenture, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.4) mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Holder and grants to and in favour of the Holder a continuing first priority Security Interest in and to all of the Corporation's right, title, estate and interest in and to the Oil Sands Leases and all proceeds in respect thereof.

## **3.2 Attachment**

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Charge in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case, the Charge shall attach contemporaneously with the Corporation acquiring rights therein without the need for any further act, deed or consideration. The Charge shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon

the date of execution of this Debenture. The Corporation acknowledges conclusively that value has been given.

### **3.3 Leases**

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Charge and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

### **3.4 Contractual Rights**

In the event the validity and effectiveness of the Charge over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Charge with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

### **3.5 Liability of the Holder**

Neither the Holder nor any receiver shall (a) be responsible or liable for any debts contracted by it, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of Applicable Law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any receiver than aforesaid.

### **3.6 Mandatory Provisions of Applicable Law**

Subject to Section 3.7, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of Applicable Law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of Applicable Law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of Applicable Law. Subject to Section 3.7, if any mandatory provision of Applicable Law shall provide for different or additional requirements than or to those specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Charge or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure

of the Charge required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to mandatory provisions of Applicable Law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

### **3.7 Waivers of Applicable Laws**

To the extent not prohibited by Applicable Law, the Corporation hereby waives its rights, if any, under all provisions of Applicable Law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any notice, financing statement or any verification statement issued by any registry that confirms registration of a requisite notice or financing statement relating to this Debenture.

### **3.8 Further Assurances**

- (a) The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for better accomplishing and effectuating the purpose of this Debenture as a result of a change in Applicable Law or otherwise, including the execution and delivery of debentures or other agreements supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental debentures or other agreements under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental documents shall form part of this Debenture for all purposes.
- (b) The Corporation will ensure that this Debenture and all documents, caveats, security notices (including under and pursuant to the *Mines and Minerals Act* (Alberta)) and financing statements in respect thereof, are promptly filed and re-filed, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by Applicable Law or as may be necessary or desirable to perfect and preserve the Charge and the rights conferred or intended to be conferred upon the Holder by the Charge and will promptly provide the Holder with evidence (satisfactory to the Holder) of such filing, registration and deposit.
- (c) The Corporation agrees to deliver from time to time to the Holder any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Holder, which the Holder requests for the purpose of perfecting, confirming, or protecting any Security Interest or other rights in any property securing any Obligations in respect of this Debenture.
- (d) The Corporation will furnish to the Holder from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.

### **3.9 Discharge; Partial Release**

- (a) Subject to the provisions of Article 10, upon the full and final payment and performance of the Obligations in respect of this Debenture, the rights hereby granted in respect of this Debenture

shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the reasonable request and at the expense of the Corporation cancel and discharge the Charge in respect of this Debenture and execute and deliver to the Corporation such deeds and other instruments as shall be requisite to cancel and discharge the Charge. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or such payment must otherwise be restored, refunded, returned or reimbursed by the Holder.

- (b) No postponement or partial release or discharge of the Charge in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Charge except as therein specifically provided, or so as to release or discharge the Corporation from its liability to fully pay and satisfy the Obligations.

### **3.10 Obligations Absolute**

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Charge is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

### **3.11 Composite Mortgage**

This Debenture is a composite mortgage and security agreement covering the Collateral located in various Provinces and Territories of Canada or elsewhere and, as to portions of the Collateral located in such separate jurisdictions, this Debenture shall be a separate mortgage and security agreement enforceable against the Corporation without regard to the application of this Debenture to portions of the Collateral located in other jurisdictions. All provisions hereof shall be applicable separately to the portions of the Collateral located in each separate jurisdiction with the same effect as if a separate mortgage and security agreement with respect thereto had been executed and delivered by the Corporation to the Holder. Upon the reasonable request of the Holder, the Corporation shall prepare, execute and deliver, at its expense, a separate mortgage and security agreement covering the portion of the Collateral located in any such jurisdiction or jurisdictions, such separate mortgage and security agreement to be substantially in the form hereof except for such modifications as shall be required by the fact that such mortgage and security agreement relates only to the property of such Corporation located in such jurisdiction or jurisdictions or as may be required by the Holder in connection therewith.

## **ARTICLE 4 REDEMPTION AND PURCHASE OF DEBENTURES**

### **4.1 Applicability of Article**

The Corporation shall have the right, at its option to redeem in whole at any time before maturity, by payment of money, this Debenture at the Redemption Price and on such date and in accordance with such other provisions as shall have been determined at the time of issue and as shall have been expressed in this Debenture.

#### **4.2 Notice of Redemption**

Notice of redemption in the form attached hereto as Exhibit “C” (the “**Redemption Notice**”) shall be given to the Holder not more than 60 days nor less than 30 days prior to the date fixed for redemption (the “**Redemption Date**”) in the manner provided in Section 14.2. Every such notice shall specify the Redemption Date, the Redemption Price and the places of payment.

#### **4.3 Debenture Due on Redemption Dates**

Provided that a Redemption Notice has been provided to the Holder in accordance with Section 4.2, this Debenture so called for redemption shall thereupon be and become due and payable at the Redemption Price, together with accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in this Debenture, anything herein to the contrary notwithstanding.

#### **4.4 Cancellation of Redeemed Debenture**

Upon payment of the Redemption Price and all other monies owing hereunder by the Corporation to the Holder, this Debenture shall forthwith be delivered to the Corporation and cancelled.

### **ARTICLE 5 CONVERSION OF DEBENTURE**

#### **5.1 Applicability of Article**

The Holder shall have the right at such Holder’s option, at any time prior to the close of business on the earlier of:

- (a) the last Business Day immediately preceding the Maturity Date; and
- (b) the last Business Day immediately preceding the date specified by the Corporation for redemption of the Debenture by notice to the Holder in accordance with Section 4.2;

(the earlier of which will be the “**Time of Expiry**” for the purposes of Article 5 in respect of this Debenture), to convert this Debenture into Common Shares, at such conversion rate or rates, and on such date or dates and in accordance with such other provisions as set forth herein. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of this Debenture at any one time may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 5.6.

#### **5.2 Notice of Expiry of Conversion Privilege**

Notice of the expiry of the conversion privileges of this Debenture shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 14.2.

#### **5.3 Revival of Right to Convert**

If this Debenture has been called for redemption but has not been redeemed, upon due surrender of this Debenture, provided the Time of Expiry has not passed, then the right to convert this Debenture shall revive and continue as if this Debenture had not been called for redemption.

#### **5.4 Manner of Exercise of Right to Convert**

- (a) The holder of this Debenture desiring to convert this Debenture in whole or in part into Common Shares shall surrender this Debenture to the Corporation at its principal office in the City of Calgary together with a conversion notice in the form attached as Exhibit “B” or any other written notice in a form satisfactory to the Corporation, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Corporation, exercising his right to convert this Debenture in accordance with the provisions of this Article 5. Thereupon the Holder, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Corporation, shall be entitled to be entered in the books of the Corporation as at the Conversion Date (or such later date as is specified in Section 5.4(b)) as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article 5 and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 5.4(e) hereof.
- (b) For the purposes of this Article 5, this Debenture shall be deemed to be surrendered for conversion on the date (herein called the “**Conversion Date**”) on which it is so surrendered in accordance with the provisions of this Article 5 and, in the case of this Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Corporation at one of its offices specified in Section 5.4(a); provided that if this Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the Business Day on which such register is next reopened.
- (c) Any part, being \$1,000 or an integral multiple thereof, of this Debenture in a denomination in excess of \$1,000 may be converted as provided in this Article 5 and all references in this Debenture to conversion of Debenture shall be deemed to include conversion of such part.
- (d) If only a part of this Debenture is converted, the Holder shall, upon the exercise of his right of conversion, surrender this Debenture to the Corporation, and the Corporation shall cancel the same and shall without charge forthwith deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of this Debenture so surrendered.
- (e) The Holder shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of holders of Common Shares of record on and after the Conversion Date or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 5.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

#### **5.5 Adjustment of Conversion Price**

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common

Shares, or (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution, the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a dividend or distribution, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, redivision or dividend, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 5.5(a) shall occur. Any such issue of Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (b) and (c) of this Section 5.5.

- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 60 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than the Conversion Price on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Conversion Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants, as the case may be.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the “**Spinoff Securities**”), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the Holder, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of Shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of (A) the weighted average trading price of one Common Share over the 20 consecutive Trading Day period (the “**Spinoff Valuation Period**”) commencing on and including the fifth Trading Day after the Ex-Dividend Date and (B) the product of (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of one Spinoff Security or, if no such prices are available, the fair market value of one Spinoff Security as reasonably determined by the Board (which determination shall be conclusive and made in good faith) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the weighted average trading price of one Common Share over the Spinoff Valuation Period, such adjustment to become effective



immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that the Holder shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that the Holder would have received if this Debenture had been converted on the record date with respect to such distribution. In respect of any conversion during the Spinoff Valuation Period, references to 20 consecutive trading days shall be deemed to be replaced with such lesser number of trading days as have elapsed between the commencement of the Spinoff Valuation Period and the relevant conversion date.

- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 60 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), (iii) evidences of its indebtedness, or (iv) assets (including cash dividends or distributions) then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price on such record date, less the fair market value (as determined by an independent firm of chartered accountants acceptable to the Holder and the Corporation, which determination shall be conclusive) of such shares or rights, options or warrants or evidences or indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.
- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 5.5(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of this Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of this Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the directors of the Corporation, to give effect to or to evidence the provisions of this Section 5.5(d), the Corporation, its successor, or such purchasing Person or other entity, as

the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares or other securities or property to which the Holder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Holder pursuant to the provisions of this Section 5.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.1(a)(i). Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Holder shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 5.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances.

- (e) In any case in which this Section 5.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as such holder would, but for the provisions of this Section 5.5(e), have become the holder of record of such additional Common Shares pursuant to Section 5.4(b).
- (f) The adjustments provided for in this Section 5.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 5.5(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.
- (h) In the event of any question arising with respect to the adjustments provided in this Section 5.5, such question shall be conclusively determined by a firm of chartered accountants appointed by the Corporation and acceptable to the Holder (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder.
- (i) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 5.5, which in the opinion of the directors of the Corporation, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors of the Corporation, as the directors of the Corporation, in their sole discretion may determine to be equitable in the circumstances. Failure of the

directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

- (j) No adjustment in the Conversion Price shall be made in respect of any event described in Sections 5.5(a), 5.5(b) or 5.5(c), other than the events described in 5.5(a)(i) or 5.5(a)(ii), if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted this Debenture prior to the effective date or record date, as the case may be, of such event.
- (k) Except as stated above in this Section 5.5, no adjustment will be made in the Conversion Price for this Debenture as a result of the issuance of Common Shares at less than the then applicable Conversion Price.

## **5.6 No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to this Article 5. The number of whole Common Shares issuable upon conversion of this Debenture shall be computed on the basis of the aggregate principal amount to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon such conversion, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the Holder of an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

## **5.7 Corporation to Reserve Common Shares**

The Corporation covenants with the Holder that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon conversion of this Debenture as in this Article 5 provided, and conditionally allot to Holder who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Corporation covenants with the Holder that all Common Shares that shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

## **5.8 Cancellation of Converted Debenture**

Subject to the provisions of Section 5.4 as to conversions in part, upon conversion of this Debenture in accordance with the provision of this Article 5, this Debenture shall be forthwith delivered to and cancelled by the Corporation and no Debenture shall be issued in substitution therefore.

## **5.9 Certificate as to Adjustment**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 5.5, deliver an Officer's Certificate to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of chartered accountants appointed by the Corporation and acceptable to the Holder and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Holder in the manner provided in Section 14.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price; provided that, if the Corporation has given notice otherwise therein under this Section 5.9 covering all the relevant facts in respect of such event and if the Holder approves, no such notice need be given under this Section 5.9.

## **5.10 Notice of Special Matters**

The Corporation covenants with the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder in the manner provided in Section 14.2 of its intention to fix a record date for any event referred to in Section 5.5(a), (b) or (c) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than fourteen (14) days in each case prior to such applicable record date.

## **ARTICLE 6 TRANSFER OF DEBENTURE**

### **6.1 Register of the Debenture**

The Corporation shall keep or cause to be kept a register in which the Holder or holders shall be registered. The name and address of each holder and particulars of this Debenture held shall be entered in the register. For the purposes of this Debenture, the Corporation may treat the registered owner of this Debenture as the beneficial owner thereof for all purposes.

### **6.2 Transfer of the Debenture**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right may not be transferred unless an exemption from the prospectus requirements under Applicable Securities Legislation is available. The Holder agrees that, unless prior written consent is obtained from the Corporation, it may only transfer the Debenture in whole and not in part. Upon the due transfer of this Debenture, the transferee shall be entitled to receive, without charge, a new certificate representing the applicable principal amount in respect of the transferee after giving effect to such transfer.

### **6.3 U.S. Transferee**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right have not been registered under the 1933 Act, or the securities laws of any state of the United States of America, and may not be transferred to a U.S. Person (as defined on Regulation S of the 1933 Act) unless this Debenture and the Common Shares issuable upon exercise of the Conversion Right have been registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available.

### **6.4 Replacement Debenture**

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to Applicable Law, shall issue and deliver, a new debenture of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture. The Holder shall bear the cost of the issue of a replacement Debenture and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of this Debenture as shall be satisfactory to the Corporation, in its sole discretion, and the Holder may also be required to furnish an indemnity or security in amount and form satisfactory to the Corporation, in its sole discretion, and shall pay the reasonable charges of the Corporation in connection therewith.

## **ARTICLE 7 COVENANTS OF THE CORPORATION**

The Corporation hereby covenants and agrees with the Holder, that so long as this Debenture remains outstanding:

### **7.1 To Pay Principal and Interest**

The Corporation will duly and punctually pay or cause to be paid to the Holder the principal of, premium (if any) and interest accrued on this Debenture of which it is the holder on the dates, at the places and in the manner mentioned herein.

### **7.2 To Give Notice of Default**

The Corporation shall notify the Holder as soon as practicable after obtaining knowledge of:

- (a) any Event of Default hereunder; or
- (b) any material default under any material contract.

### **7.3 Preservation of Existence, Status, etc.**

Subject to the express provisions hereof, the Corporation will: (a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, subject to Section 12.1; and (b) carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices.

### **7.4 Provision of Financials**

The Corporation covenants and agrees that:

- (a) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with an independent engineering report on the Corporation's properties on which operations have taken place in the past year that has been prepared by a nationally-recognized, independent engineering firm;
- (b) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with audited annual financial statements of the Corporation;
- (c) no later than 90 days prior to the beginning of each fiscal year, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with the Corporation's budget for the upcoming fiscal year which shall include all significant expenditures and a projected income statement and balance sheet;
- (d) within 60 days following each interim fiscal quarter, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with unaudited interim financial statements of the Corporation; and
- (e) subject to compliance with applicable securities laws relating to selective disclosure, it will advise the Holder as soon as reasonably possible of any material change (actual, anticipated or

threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and, if applicable, its subsidiaries; provided that if the Corporation is uncertain as to whether a material change has occurred, the Corporation shall promptly inform the Holder of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Holder as to whether the occurrence is of such nature.

#### **7.5 Keeping of Books**

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

#### **7.6 No Distributions on Common Shares if Event of Default**

The Corporation shall not declare or make any dividends, return of capital or other distribution to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

#### **7.7 No *Pari Passu* Indebtedness**

The Corporation shall not incur any Indebtedness which ranks in any respect in priority to or *pari passu* with the Obligations.

#### **7.8 Other Security Interests**

The Corporation shall not grant, create or permit to be granted or created any other Security Interest over the Collateral, except for: (a) Permitted Encumbrances; and (b) Security Interests expressly subordinated to the Security Interest granted hereunder in a manner satisfactory to the Holder.

#### **7.9 Perfection of Securities Interests**

The Corporation will create, perfect and maintain in force the Security Interests created by this Debenture and will do all things necessary to ensure the Security Interests to which it is subject are effective and enforceable in the jurisdiction in which they are registered, or are to be registered, and will provide the Holder evidence satisfactory to establish compliance with this Section if and when requested to do so by the Holder.

#### **7.10 Defend Title to Assets**

As long as this Debenture is outstanding, the Corporation shall maintain, protect and defend title to the Oil Sands Leases, and take all such acts and steps as are necessary or advisable at any time and from time to time to maintain the Oil Sands Leases in good standing.

#### **7.11 Insurance**

As long as this Debenture is outstanding, the Corporation shall maintain in full force and effect such policies of insurance, including public liability and property damage insurance, in such amounts issued by insurers of recognized standing covering its Oil Sands Leases as are customarily maintained by persons engaged in the same or similar business in the localities where its Oil Sands Leases are located.

## **7.12 Intellectual Property**

As long as this Debenture is outstanding, the Corporation shall not, directly or indirectly, sell, transfer, convey or otherwise dispose, directly or indirectly, of any Intellectual Property held at the date hereof, including but not limited to the Intellectual Property identified in Exhibit “E”, unless it has obtained the consent of the Holder, such consent not to be unreasonably withheld. For certainty, nothing in this Section 7.12 is intended to prohibit the Corporation, directly or indirectly, from granting licenses to the Intellectual Property in the ordinary course of business.

## **7.13 Notice**

The Corporation shall give the Holder prompt written notice and, in any event at least 15 days prior to the effective date of any such change in respect of matters set forth in (a), (b) or (c) immediately below, of each of the following changes in respect of the Corporation:

- (a) any change to its chief executive office or principal place of business or registered office;
- (b) any change to its legal name;
- (c) any change to the jurisdiction of its incorporation or formation;
- (d) any Material Adverse Effect;
- (e) any material impairment in the value of the Intellectual Property; and
- (f) any challenge to the Corporation’s title to any or all of the leases comprising the Oil Sands Leases or any threatened termination or pending expiry thereof.

## **7.14 Proceeds**

The Corporation shall use the proceeds of the original principal amount of \$20,000,000 from the issuance and sale of this Debenture to repay the 2012 Debentures to the extent such 2012 Debentures are not converted in accordance with their terms and for general working capital purposes and for project development purposes, in that order of priority. The Corporation shall use the proceeds of the additional principal amount of \$2,000,000 to fund its 2014 coring program, whether directly or to repay debt incurred for such purpose.

## **7.15 No Unanimous Shareholder Agreements**

The Corporation agrees that it will not, without the prior written consent of the Holder, enter into or allow its Shareholders to enter into a unanimous shareholder agreement.

## **7.16 Publications**

Without the prior consent of the Holder, the Corporation will not issue any press release or make any other public announcement regarding the Holder or the transactions contemplated hereby that names the Holder, except to the extent required by Applicable Law, and only after using commercial reasonable efforts to consult with the Holder as to how it should be named therein.

## **7.17 Performance of Covenants by Holder**

If the Corporation shall fail to perform any of its covenants contained in this Debenture, the Holder may itself perform any of the covenants capable of being performed by it, but shall be under

no obligation to do so. All sums so expended or advanced by the Holder shall be repayable by the Corporation to the Holder. No such performance, expenditure or advance by the Holder shall be deemed to relieve the Corporation of any default hereunder.

#### **7.18 Nominee Directors**

The Holder shall be entitled, but not obligated, to nominate directors (the “**Nominated Directors**”) to the Board on the following basis:

- (a) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder is 10% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to appoint two (2) Nominated Directors; or
- (b) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder is 5% or greater but less than 10% of the issued and outstanding Common Shares, the Holder shall be entitled to appoint one (1) Nominated Director.

Upon such Nominated Director(s) being removed or resigning as a director, such vacancy shall be filled by a new Nominated Director(s) to be appointed, to the extent permitted by the Corporation’s articles and by-laws and the Act, by the Holder. Any other vacancy on the Board shall be filled in accordance with the Corporation’s articles and by-laws and the Act.

#### **7.19 Observer**

So long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder, is 3% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to designate a Person as an observer to attend meetings of the Board and receive all materials circulated to the Board provided such Person executes a confidentiality agreement in form and substance satisfactory to the Corporation, acting reasonably.

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

The Corporation hereby represents and warrants to the Holder as of the date hereof and acknowledges and confirms that the Holder is relying on the representations and warranties set forth in Exhibit “A” to this Debenture.

### **ARTICLE 9 DEFAULT**

#### **9.1 Events of Default**

Each of the following events constitutes, and is herein sometimes referred to as, an “**Event of Default**”:

- (a) failure for 15 days to pay interest on this Debenture when due;
- (b) failure to pay principal or premium, if any, on this Debenture when due whether at maturity, upon redemption, by declaration or otherwise;



- (c) failure to deliver when due all cash and Common Shares or other consideration deliverable upon conversion of this Debenture, which failure continues for 15 days;
- (d) default in the payment of principal when due, upon the maturity, demand or otherwise on, or failure to make any payment or take any action that results in acceleration of, other indebtedness of the Corporation for borrowed money where the aggregate principal amount with respect to which the default or acceleration has occurred exceeds \$1,000,000 and such default or acceleration has not been rescinded or annulled or such indebtedness repaid within a period of 30 days after receipt of a notice of default, provided that if any such default or acceleration is cured, waived, rescinded or annulled, then the Event of Default by reason thereof shall be deemed not to have occurred;
- (e) if one or more final judgments, decrees or orders, after available appeals have been exhausted, shall be awarded against the Corporation or any of its Subsidiaries for an aggregate amount in excess of \$1,000,000 and the Corporation or its Subsidiaries have not either satisfied such judgments, decrees or orders or provided security for any such judgments, decrees or orders within 20 days of such judgment, decree or order being awarded;
- (f) if any of this Debenture or any Security or any material provision of any of the foregoing shall at any time for any reason cease to be in full force and effect, be declared to be void or voidable (and the same is not forthwith effectively rectified or replaced by the Corporation) or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or the Corporation shall deny that it has any or any further liability or obligation thereunder, or at any time it shall be unlawful or impossible for them to perform any of their respective obligations under this Debenture, or the Security;
- (g) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period equal to 30 days;
- (h) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;
- (i) if the Corporation ceases to carry on business;
- (j) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 12.1 are duly observed and performed;
- (k) if, after the date of this Debenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction;

- (l) the failure to perform or observe any of the other covenants, agreements or obligations under this Debenture or any other Transaction Document for 30 days after written notice of such failure from the Holder to the Corporation or from the Corporation to the Holder; or
- (m) if any material provision of any Transaction Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or if any Charge constituted pursuant to the Transaction Documents ceases to have the priority contemplated therein.

If such an event shall occur and be continuing, the Holder may, in its discretion, subject to the provisions of Section 9.2, by notice in writing to the Corporation declare the principal of and interest on this Debenture then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Holder, and the Corporation shall forthwith pay to the Holder such principal, accrued and unpaid interest and interest at the Default Rate (as defined below) on amounts in default on this Debenture (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Corporation, the premium, if any, on this Debenture then outstanding which would have been payable upon the redemption thereof by the Corporation on the date of such declaration) and all other monies outstanding hereunder, together with subsequent interest at the Default Rate on such principal, interest and such other monies from the date of such declaration until payment is received by the Holder, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of this Debenture. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

Notwithstanding anything contained herein, this Debenture shall bear interest on the due and unpaid principal, interest and all other monies outstanding hereunder from and after the occurrence and during the continuance of an Event of Default pursuant to Section 9.1 at the rate (the "**Default Rate**") equal to the lower of 20% per annum or the highest rate permitted by Applicable Laws.

## **9.2 Waiver of Default**

Upon the happening of any Event of Default hereunder, the Holder of this Debenture shall have the power to waive any Event of Default. No such act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

## **9.3 Enforcement by the Holder**

If the Corporation shall fail to pay to the Holder, forthwith after the same shall have been declared to be due and payable under Section 9.1, the principal of and premium (if any) and interest on this Debenture then outstanding, together with any other amounts due hereunder, the Holder may in its discretion, proceed in its name to obtain or enforce payment of such principal of and premium (if any) and interest on this Debenture then outstanding together with any other amounts due hereunder by such proceedings authorized herein or by law or equity as the Holder shall deem expedient.

The Holder shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Holder allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.

The Holder, upon the occurrence of an Event of Default, may, in its absolute discretion, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or by deferred payment arrangement. The Holder may make any such

sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof.

The Holder shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Holder.

#### **9.4 Proceeds of Realization**

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Charge or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to Applicable Laws, to the Corporation.

#### **9.5 Remedies Cumulative and Not Exclusive**

No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall be cumulative and shall be in addition to every other right, power or remedy given hereunder or now existing or hereafter to exist by law or by statute. Every right, power and remedy given to the Holder or to a receiver by this Debenture or under Applicable Laws may be exercised from time to time and as often as may be deemed expedient by the Holder or such receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the fullest extent permitted by Applicable Laws, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

#### **9.6 Immunity of Holder and Others**

The Holder hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of this Debenture or on any covenant, agreement, representation or warranty by the Corporation herein or in this Debenture contained.

#### **9.7 Judgment Against the Corporation**

The Corporation covenants and agrees with the Holder that, in case of any judicial or other proceedings to enforce the rights of the Holder, judgment may be rendered against it in favour of the

Holder for any amount which may remain due in respect of this Debenture and premium (if any) and the interest thereon and any other monies owing hereunder.

## **9.8 Receiver**

Upon the occurrence of an Event of Default, the Holder may in its absolute discretion, appoint a receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a receiver;
- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a receiver under Applicable Law;
- (d) the Holder may from time to time fix the reasonable remuneration of the receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any receiver may issue certificates (in this Section 9.8 called “**Receiver’s Certificates**”), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver’s Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver’s Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;
- (g) every receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such receiver and the Holder may from time to time determine what funds any receiver shall be at liberty to keep on hand with a view to the performance of its duties as such receiver.

## 9.9 Indemnity

Without in any manner derogating from the specific nature of the Charges granted to the Holder pursuant hereto, the Corporation expressly acknowledges and agrees that the Holder has not by virtue of its acceptance of this Debenture and the Charges granted hereunder assumed care and control of, or any responsibility for, the Collateral or any party thereof, and that the Corporation remains fully responsible for ensuring that the Collateral is operated, managed and maintained in a proper and prudent manner, in accordance with good industry practice, and in accordance with all Applicable Laws (including, without limitation, Environmental Laws). The Corporation hereby covenants with the Holder that it shall at all times hereafter keep the Holder indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, demands or claims instituted or made against the Holder, and all costs, losses, liabilities (including Environmental Liabilities), damages and expenses (including all legal fees on a solicitor and his own client, full indemnity basis) incurred by the Holder in any way relating to, arising out of, or incidental to any of the transactions contemplated by this Debenture, including, without limitation:

- (i) any failure on the part of the Corporation or any other person or entity dealing with the Collateral to observe and comply fully with all Applicable Laws, and with the lawful terms of all agreements, instruments and arrangements forming part of or relating to the Collateral, or by which the Corporation is otherwise bound, and which any of such indemnified parties suffers or incurs as a result of being the holder of the Charges granted hereunder and related rights hereunder;
- (ii) the Release of any contaminant, the threat of Release of any contaminant, or the presence of any contaminant affecting the Collateral, whether or not the same originates or emanates from the Collateral or any contiguous real property;
- (iii) any costs of removal or remedial action imposed by any person or damages from, injury to, destruction of or loss to the Collateral or any contiguous real property, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Law;
- (iv) any non-compliance by the Corporation or any predecessor in title to the Collateral under any applicable Environmental Law with respect to the Collateral;
- (v) any step taken by any person or entity to enforce compliance with or to collect or impose penalties, fines, or other sanctions provided by any Environmental Law with respect to the Collateral;
- (vi) liability for personal injury or property damages arising under any statutory or common law tort theory, including without limitation, third party, consequential and indirect damages and damages assessed for the maintenance of a public or private nuisance or for the carrying on of the dangerous activity at any or near any Collateral;
- (vii) all environmental, health, reclamation and clean-up costs and obligations associated with or pertaining to the abandonment or reclamation of the Collateral, including any facilities, buildings, fixtures or equipment located thereon; and
- (viii) any obligation or liability arising directly or indirectly from the provision by any of such indemnified parties directly or indirectly of any funds to the Corporation as a result of which any contingent exposure to any of the foregoing liabilities listed in paragraphs (i) through (vii) above may arise, or as a result of taking or being granted any Charges

granted hereunder or effecting any realization of, against or upon any of such indemnified parties or any of the Collateral.

If and for so long as no Event of Default has occurred and is continuing, the Corporation, at its option, shall be entitled to conduct the defense of such suit, action or proceeding with the participation of and taking into account the best interests of the Holder. If the Holder shall determine in good faith that the defense of any such suit, action or proceeding is not being conducted in its best interests, the Holder, shall on notice to the Corporation (and for the account of the Corporation) be entitled to take over the sole conduct of the defense of such suit, action or proceeding. This indemnity shall extend to the officers, directors, employees, agents, shareholders and assignees of the Holder and it shall survive repayment or cancellation of the Obligations secured hereby and the discharge or release of the Charges provided hereunder or otherwise.

#### **9.10 Possession**

The Corporation shall, on demand by the Holder or any receiver following the occurrence of an Event of Default, yield up possession of the Collateral or any part thereof as demanded by the Holder and put no obstacle in the way of, but facilitate by all legal means, the actions of the Holder or any receiver and not interfere with the carrying out of the powers hereby granted to the Holder or any receiver.

#### **9.11 Information**

All statements, reports, certificates, opinions and other documents or information required to be furnished to the Holder by the Corporation under this Debenture shall be supplied by the Corporation without cost to the Holder. If the Corporation fails to pay any amounts required to be paid by it under this Debenture or if the Corporation fails to observe or perform any of the covenants and obligations set forth in this Debenture to be observed or performed by it, the Holder and any receiver may, but shall be under no obligation to, pay such amounts or do such act or things as may be required to ensure such observance and performance, without waiving any of its rights under this Debenture. No such payment, act or thing by the Holder or any receiver shall relieve the Corporation from any default under this Debenture or the consequences of such default. The reasonable expenses (including the cost of any insurance and payment of taxes or other charges and legal fees and expenses on a solicitor and his own client, full indemnity, basis) paid by the Holder or any receiver shall be deemed advanced to the Corporation by the Holder or such receiver, shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum. In addition, the Corporation shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client, full indemnity, basis) incurred by the Holder, or any receiver in connection with the preparation, negotiation of terms, perfection, execution, protection, enforcement of and advice with respect to this Debenture (including the realization, disposition, retention, protection or collection of the Collateral or Security or any part thereof and the protection and enforcement of the rights of the Holder, and any receiver hereunder together with all remuneration paid to a receiver and all costs, charges and expenses of or incidental to any receivership) and such expenses shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum.

#### **9.12 Power of Attorney**

The Corporation hereby irrevocably constitutes and appoints the Holder 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 Corporation and in the name of the Corporation or in its own name, from time to time in the Holder's discretion, for the purpose of carrying out the terms of this Debenture, to take any and all appropriate action and to execute any and all

documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Debenture and which the Corporation being required to take or execute has failed to take or execute provided that this power of attorney shall not be effective until the Charge becomes enforceable. The Corporation hereby ratifies all that said attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and will be irrevocable until the Obligations have been unconditionally and irrevocably paid and performed in full. The Corporation also authorizes the Holder, at any time and from time to time, to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral in connection with the sale provided for in Section 9.3.

## **ARTICLE 10**

### **SATISFACTION AND DISCHARGE**

#### **10.1 Cancellation and Destruction**

This Debenture shall forthwith after payment of all obligations hereunder, be delivered to the Corporation for cancellation and shall be destroyed by the Corporation.

#### **10.2 Discharge**

The Holder shall at the written request of the Corporation release and discharge this Debenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Holder and the other beneficiaries under Section 9.9 and the survival provisions set forth in Section 10.4), upon satisfaction or payment of the principal and premium (if any) of and interest (including interest on amounts in default, if any), on this Debenture and all other monies payable hereunder or that this Debenture having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on this Debenture and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

#### **10.3 Satisfaction**

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged this Debenture and the Holder, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of this Debenture, when the Corporation has deposited or caused to be deposited with the Holder for the purpose of making payment on this Debenture, an amount in money sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest, if any, to maturity or any repayment date or Redemption Dates, as the case may be, of this Debenture, and the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Holder for the payment of all other sums payable with respect to all of this Debenture (together with all applicable expenses of the Holder in connection with the payment of this Debenture).
- (b) Upon the satisfaction of the conditions set forth in this Section 10.3, the terms and conditions of this Debenture, including the terms and conditions with respect thereto set forth in this Debenture (other than those contained in Article 2 and Article 4 and the provisions of Article 1 pertaining to Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

#### **10.4 Survival**

Notwithstanding anything to the contrary in this Debenture, including without limitation Sections 10.2 and 10.3, subsequent to conversion of the Debenture and for so long as the Holder and its

Affiliates collectively beneficially own not less than ten percent (10%) of the issued and outstanding Common Shares of the Corporation, the terms and conditions contained in Sections 7.2(b), 7.3, 7.4, 7.5, 7.10, 7.11, 7.12 and 7.16 shall survive and continue to be binding upon the Corporation. Additionally, subsequent to conversion of the Debenture and for so long as the Holder beneficially owns any Common Shares of the Corporation, the terms and conditions contained in Section 7.18 and 7.19 shall survive and continue to be binding upon the Corporation except that all references to “10%” in Section 7.18 shall be read as “15%” subsequent to conversion.

The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for the better accomplishing and effectuating the purpose of this Section 10.4.

## **ARTICLE 11 PRE-EMPTIVE RIGHT TO ISSUANCES**

### **11.1 Pre-emptive Right to Treasury Issuances**

From the period commencing on the date hereof and expiring on the Maturity Date, any Common Shares, securities convertible into Common Shares, or securities carrying voting rights (“**Securities**”) to be issued by the Corporation, other than those to be issued pursuant to: (i) the 2012 Debentures; and (ii) the Corporation’s share option plan and other ordinary course employment benefit plan, shall be first offered by the Corporation to the Holder (on behalf of the Holder and its Affiliates) immediately after a subscription price is determined or fixed by the Board. If the Holder or its Affiliates do not agree to take up any of such offered Securities within 30 days after receipt of such offer, such Securities, or remaining Securities that the Holder has not agreed to acquire, may be issued to any Person at a price not less than the aforesaid subscription price at any time during the 30 days commencing on the earlier of: (a) the date which the Holder advises the Corporation in writing that it and its Affiliates either (i) will not take up such Securities; or (ii) take up all or a portion of the Securities; or (b) the expiry of the aforesaid 30 day period during which the Holder or its Affiliates may agree to take up such Securities, without notice having been provided by the Holder to the Corporation.

The completion of the purchase of the Securities by the Holder, shall, if applicable, occur concurrently with the purchase and sale of Securities by any other Person and shall occur no earlier than the 10th Business Day after the expiry of the 30 day period referred to above. The process for the completion of the purchase and sale shall be agreed to by the Corporation and the Holder, each acting reasonably and in good faith.

## **ARTICLE 12 SUCCESSORS**

### **12.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.**

The Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a “**Successor**”) whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:



- (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Debenture;
  - (ii) this Debenture will be valid and binding obligations of the Successor entitling the Holder thereof, as against the Successor, to all the rights of Holder under this Debenture; and
  - (iii) in the case of an entity organized otherwise than under the laws of the Province of Alberta, shall attorn to the jurisdiction of the courts of the Province of Alberta; and
- (b) such transaction, in the opinion of Counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Holder hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

## **12.2 Vesting of Powers in Successor**

Whenever the conditions of Section 12.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Debenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Debenture forthwith upon the Corporation delivering to the Holder an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the Successor. The Holder will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

## **ARTICLE 13 MEETINGS OF HOLDERS**

### **13.1 Right to Convene Meeting**

The Corporation may at any time and from time to time, and the Corporation shall, on receipt of a written request signed by the Holders of not less than 25% of the principal amount of the Debentures then outstanding convene a meeting of the Holders. In the event of the Corporation failing, within 30 days after receipt of any such request, to give notice convening a meeting, such Holders may convene such meeting. Every such meeting shall be held in the City of Calgary or at such other place as may be approved or determined by the Corporation or the Holders, as applicable.

### **13.2 Notice of Meetings**

At least 21 days' notice of any meeting shall be given to the Holders in the manner provided in Section 14.2. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any Holder shall not invalidate any resolution passed at any such meeting. A Holder may waive notice of a meeting either before or after the meeting.

### **13.3 Chairman**

A Person, who need not be a Holder, nominated in writing by the Corporation shall be chairman of the meeting and if no Person is so nominated, or if the Person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Holders present in person or by proxy shall choose a Person present to be chairman.

### **13.4 Quorum**

Subject to the provisions of Section 13.12, at any meeting of the Holders a quorum shall consist of Holders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Holders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Holders or pursuant to a request of the Holders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Holders present in person or by proxy shall, subject to the provisions of Section 13.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting, which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

### **13.5 Power to Adjourn**

The chairman of any meeting at which a quorum of the Holders is present may, with the consent of the Holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

### **13.6 Show of Hands**

Every question submitted to a meeting shall, subject to Section 13.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

### **13.7 Poll**

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Holders or proxies for Holders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

### **13.8 Voting**

On a show of hands every person who is present and entitled to vote, whether as a Holder or as proxy for one or more Holders or both, shall have one vote. On a poll each Holder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in

respect of each \$1,000 principal amount of Debentures of which he shall then be the holder. A proxy need not be a Holder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

### **13.9 Proxies**

A Holder may be present and vote at any meeting of Holders by an authorized representative. The Corporation for the purpose of enabling the Holders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

- (a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Holder;
- (b) the deposit of instruments appointing proxies at such place as the Corporation or the Holders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited;
- (c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and
- (d) generally for the calling of meetings of Holders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Holders and persons whom Holders have by instrument in writing duly appointed as their proxies.

### **13.10 Persons Entitled to Attend Meetings**

The Corporation, by its respective officers, directors and employees, the auditors of the Corporation and the legal advisers of the Corporation or of any Holders may attend any meeting of the Holders, but shall have no vote as such.

### **13.11 Powers Exercisable by Extraordinary Resolution**

In addition to the powers conferred upon them by any other provisions of this Debenture or by law, a meeting of the Holders shall have the following powers exercisable from time to time by Extraordinary Resolution:

- (a) to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;

- (b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Holders against the Corporation, or against its property, whether such rights arise under this Debenture or otherwise;
- (c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Debenture which shall be agreed to by the Corporation and to concur in and execute any debenture supplemental hereto embodying any modification, change, addition or omission;
- (d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof;
- (e) power to waive any default hereunder either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (f) power to restrain any Holder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;
- (g) power to direct any Holder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted hereunder, of the costs, charges and expenses reasonably and properly incurred by such Holder in connection therewith;
- (h) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- (i) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise on behalf of the Holders, such of the powers of the Holders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Holders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Holders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- (j) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;
- (k) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 13.11(j); and

- (l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Holders or by any committee appointed pursuant to Section 13.11(i).

### **13.12 Meaning of “Extraordinary Resolution”**

- (a) The expression “**Extraordinary Resolution**” when used in this Debenture means, subject as hereinafter in this Article 13 provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Holders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article 13 at which the holders of not less than 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.
- (b) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

### **13.13 Powers Cumulative**

Any one or more of the powers in this Debenture stated to be exercisable by the Holders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Holders to exercise the same or any other such power or powers thereafter from time to time.

### **13.14 Minutes**

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Holders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

### **13.15 Instruments in Writing**

All actions which may be taken and all powers that may be exercised by the Holders at a meeting held as hereinbefore in this Article 13 provided may also be taken and exercised by the holders of 66  $\frac{2}{3}$ % of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression “Extraordinary Resolution” when used in this Debenture shall include an instrument so signed.

### **13.16 Binding Effect of Resolutions**

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 13 at a meeting of Holders shall be binding upon all the Holders, whether present at or absent from such meeting, and every instrument in writing signed by Holders in accordance with Section 13.15 shall be binding upon all the Holders, whether signatories thereto or not, and each and every Holder shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

### **13.17 Evidence of Rights of Holders**

Any request, direction, notice, consent or other instrument that this Debenture may require or permit to be signed or executed by the Holders may be in any number of concurrent instruments of similar tenor signed or executed by such Holders.

## **ARTICLE 14 NOTICES**

### **14.1 Notice to Corporation**

Any notice to the Corporation under the provisions of this Debenture shall be valid and effective if delivered to the Corporation at: Suite 1000, 734 – 7th Avenue S.W., Calgary, T2P 3P8, Attention: Chief Executive Officer, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Holder in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Debenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 14.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 14.1.

### **14.2 Notice to Holder**

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if delivered to the Holder at its principal office in the City of Edmonton, at the following address: 1100 - 10830 Jasper Avenue, Edmonton, Alberta T5J 2B3, Attention: Darren Baccus, Email: darren.baccus@aimco.alberta.ca or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Holder may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice shall be the address of the Holder to receive notices from the Corporation.

### **14.3 Mail Service Interruption**

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holder would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 14.2, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 14.2.

## **ARTICLE 15 CONFIDENTIALITY**

### **15.1 Confidentiality**

The Holder shall not use (other than for purposes of its investment in and holding of Debentures and Common Shares and its rights pursuant to this Debenture) or disclose to any Person, directly or indirectly, any Confidential Information at any time hereafter provided, however, that nothing in this Section 15.1 shall preclude the Holder from disclosing or using Confidential Information if: (a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Debenture; or (b) disclosure is required to be made by any law, regulation,

governmental body or authority or by court order or under the rules of an applicable stock exchange and the Holder has, to the extent allowed, provided the Corporation with prompt notice of such requirement or request so that the Corporation may seek an appropriate protection order, or waive compliance with any of the provisions hereof, or both. If, in the absence of either a protective order or a waiver by the Corporation, the Holder, in the reasonable opinion of its legal counsel, is required by law, securities regulation or policy to disclose any Confidential Information, the Holder may, without liability hereunder disclose that portion, and only that portion, of the Confidential Information that the Holder is required so to disclose and the Holder will exercise its reasonable efforts in such event to obtain reliable assurance that the Confidential Information will be accorded confidential treatment.

The Holder acknowledges and agrees that the obligations under this Section 15.1 are to remain in effect for a period of two (2) years from the date on which the terms and conditions in Section 7.4 are no longer binding upon the Corporation pursuant to Section 10.4.

## **ARTICLE 16 AMENDMENT AND RESTATEMENT**

This Debenture amends and restates the debenture dated December 23, 2013 in the principal amount of \$20,000,000 issued by the Corporation to the Holder (the “**Initial Debenture**”). Concurrently with the issuance of this Debenture, the Holder shall surrender the Initial Debenture to the Corporation for cancellation.

## EXHIBIT "A"

### REPRESENTATIONS AND WARRANTIES

For the purposes of this Exhibit "A", the following terms shall have the meanings set forth below:

**"2013 Financial Information"** means, collectively, the unaudited consolidated income statement of the Corporation for the period from January 1, 2013 to October 31, 2013 and the account balance confirmation of the Corporation as at October 31, 2013, each as set forth in Exhibit "F";

**"Financial Statements"** means the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the report of the auditors thereon;

**"GLJ"** means GLJ Petroleum Consultants Ltd.; and

**"GLJ Report"** means the independent engineering evaluation of the bitumen reserves and contingent resources attributable to the Oil Sand Leases prepared by GLJ effective November 30, 2013 and dated December 19, 2013.

The Corporation hereby represents and warrants to the Holder as follows and acknowledges that the Holder is relying upon the following representations and warranties:

- (i) each of the Corporation and its Subsidiaries has been duly incorporated, amalgamated or formed (as the case may be) and organized and is valid and subsisting under the laws of the jurisdiction of its incorporation, amalgamation or formation (as the case may be) and has all requisite corporate or partnership capacity, power and authority, as applicable, to carry on its business as now conducted and to own, lease and operate its properties and assets;
- (ii) the Corporation does not have any Subsidiaries other than KemeX Ltd., Kemex Technologies Ltd., Oak Point Consulting Ltd., Kengimex Ltd. and 1<sup>st</sup>Site Technologies Ltd., and the Corporation is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the *Business Corporations Act* (Alberta)), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships;
- (iii) each of the Corporation and its Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
- (iv) each of the Corporation and its Subsidiaries has conducted its business in compliance in all material respects with all Applicable Laws and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of the Corporation and its Subsidiaries, as the case may be, as now conducted (except where the failure to so conduct its business or to hold such licences, registration or qualifications would not, individually or in the aggregate, have a Material Adverse Effect), all such licences, registrations or qualifications are valid and existing and in good standing (except where such lack of good standing would not have a Material Adverse Effect) and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have a Material Adverse Effect and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation



anticipates the Corporation or its Subsidiaries will be unable to comply with without constituting a Material Adverse Effect;

- (v) all of the issued and outstanding securities of the Corporation's Subsidiaries are validly issued as fully paid and non-assessable, the Corporation is, directly or indirectly, the registered and beneficial holder of all such issued and outstanding securities and holds such common shares with valid and marketable title to the securities free and clear of any liens, pledges, charges, encumbrances, security interests or other adverse claims whatsoever (other than bank security) and no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of its Subsidiaries or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued shares, securities (including convertible securities) or warrants of its Subsidiaries; and the Corporation has no material shareholdings in any other corporation, partnership or business organization;
- (vi) the minute books of each of the Corporation and its Subsidiaries contain full, true and correct copies of the constating documents of the Corporation and its Subsidiaries, as applicable, and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors, shareholders or partners, as the case may be, of the Corporation and its Subsidiaries, respectively, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;
- (vii) the books of account and other records of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices and the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded as necessary to facilitate preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets;
- (viii) since December 31, 2012, the Corporation has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction which is or may reasonably be expected to be material to the Corporation and which is not in the ordinary course of business;
- (ix) the Corporation and its Subsidiaries have duly and on a timely basis filed all tax returns due and required to be filed, have paid all taxes due and payable and have paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or its Subsidiaries and, to the best of the knowledge, information and belief of the Corporation, there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or its Subsidiaries, in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;
- (x) the Corporation is not aware of any material contingent tax liability of the Corporation or any grounds which will prompt a reassessment which would result in a material tax liability;

- (xi) the Corporation has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employee, officer, director, or non-resident person, the amount of all taxes and other deductions required by applicable law to be withheld and has duly and timely remitted the withheld amount to the appropriate taxing or other authority and has duly and timely issued tax reporting slips or returns in respect of any amount so paid or credited by it as required by Applicable Law;
- (xii) all filings made by the Corporation and its Subsidiaries under which the Corporation or its Subsidiaries has received or is entitled to government incentives, have been made in accordance, in all material respects, with all Applicable Laws and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or its Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;
- (xiii) except to the extent that any violation or other matter referred to in this subsection does not have a Material Adverse Effect (and, in respect of non-operated properties, to the knowledge, information and belief of the Corporation):
  - A. neither the Corporation nor its Subsidiaries are in violation of any Environmental Laws;
  - B. each of the Corporation and its Subsidiaries have operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - C. there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or its Subsidiaries that have not been remedied;
  - D. no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or its Subsidiaries;
  - E. neither the Corporation nor its Subsidiaries have failed to report to the proper federal, provincial, state, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law;
  - F. each of the Corporation and its Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their business and the ownership and use of their assets, all such licences, permits and approvals are in full force and effect, and except for: (A) notifications and conditions of general application to assets of the type owned by the Corporation and its Subsidiaries; and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), and neither the Corporation nor its Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and

- G. neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies thereof) have received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;
- (xiv) any and all operations of the Corporation and its Subsidiaries, and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation and its Subsidiaries, have been conducted in accordance with good oil and gas industry practices and in material compliance with Applicable Laws;
- (xv) in respect of the assets and properties of the Corporation and its Subsidiaries that are operated by it, if any, each of the Corporation and its Subsidiaries hold all valid licences, permits and similar rights and privileges that are required and necessary under Applicable Laws to operate the assets and properties of the Corporation and its Subsidiaries, as the case may be, as presently operated except where to hold all valid licences, permits and similar rights would not have a Material Adverse Effect;
- (xvi) the Corporation has full corporate capacity, power and authority to enter into the Transaction Documents and to perform its obligations set out herein and therein (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), and the Transaction Documents have been duly authorized, executed and delivered by the Corporation and the Transaction Documents are legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by Applicable Law;
- (xvii) no action, approval, consent or vote on the part of the shareholders of the Corporation is or shall be necessary to consummate the transactions contemplated by the Transaction Documents;
- (xviii) this Debenture has been duly and validly issued as fully paid and non-assessable;
- (xix) the Corporation has full power and authority to issue the Common Shares issuable upon conversion, redemption or maturity of this Debenture and upon issuance thereof in accordance with this Debenture, such Common Shares will, at the time of issue, be duly allotted, validly issued and outstanding as fully paid and non-assessable;
- (xx) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of the Transaction Documents by the Corporation or any of the transactions contemplated hereby or thereby (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the articles, by-laws or constating documents of the Corporation or its Subsidiaries, as applicable, (ii) any resolutions of shareholders or directors (or any committee thereof), as the case may be, of the Corporation or its Subsidiaries, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or its Subsidiaries is a party or by which it is bound, or (iv) any Applicable Law, which default or breach might reasonably be expected to have a Material Adverse Effect; and to the best of the knowledge of the Corporation, no event exists which would constitute an Event of Default or which, with the passage of time, giving of notice or both, would constitute an Event of Default;

(xxi) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or its Subsidiaries from the position set forth in the Financial Statements and there has not been any Material Adverse Effect since December 31, 2012; since that date there have been no material facts, transactions, events or occurrences which could constitute a Material Adverse Effect or transactions outside the ordinary course of business and, without limitation, since December 2012 there has been no material change with respect to the financial position of the Corporation (as represented in the Financial Statements) regarding:

- A. “cash and cash equivalents”, which at October 31, 2013 was \$2,069,574, with reductions since October 31, 2013 for ordinary course general and administrative expenses;
- B. “exploration and evaluation assets”, subject only to amortization in accordance with the Tax Act and regulations thereunder;
- C. “plant property and equipment”, subject to amortization in accordance with the Tax Act and regulations thereunder;
- D. “intangible assets”, subject to amortization in accordance with the Tax Act and regulations thereunder; and
- E. “liabilities”, which are estimated to be at October 31, 2013 at \$240,300, and subject to additions since that time in the ordinary course of business; and

there have been no dividends declared by the Corporation; and no impairment has occurred to “exploration and evaluation assets”, property plant and equipment” or “intangible assets” of the Corporation from the December 31, 2012 balances noted in the Financial Statements;

(xxii) the Financial Statements fairly present, in accordance with International Financial Reporting Standards, consistently applied, the consolidated financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and, if applicable, its Subsidiaries (taken as a whole) as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and, if applicable, its Subsidiaries as at the dates thereof required to be disclosed by International Financial Reporting Standards. The Corporation represents that the 2013 Financial Information is accurate and complete with no omissions of material facts, transactions, events or occurrences which could constitute a Material Adverse Effect;

(xxiii) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of this Debenture, except such as may be required by Applicable Securities Legislation;

(xxiv) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation or its Subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way could constitute a Material Adverse Effect and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

(xxv) the authorized capital of the Corporation consists of an unlimited number of Common Shares of which 86,411,769 Common Shares are issued and outstanding as at the date hereof, each of which shares is validly issued, fully paid and non-assessable;

- (xxvi) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (A) 3,420,000 Common Shares subject to options granted by the Corporation pursuant to its stock option plan; and (B) the 2012 Debentures;
- (xxvii) other than as disclosed in writing by the Corporation to the Holder, none of the directors, officers or employees of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation;
- (xxviii) other than as disclosed in writing by the Corporation to the Holder, no officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any associate or affiliate of any such persons, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the Corporation's properties or assets or any revenue or rights attributed thereto;
- (xxix) to the knowledge of the Corporation, none of the Corporation or its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangement in respect of outstanding securities of the Corporation;
- (xxx) no securities commission or similar regulatory authority in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Legislation;
- (xxxi) the Corporation is not a "reporting issuer" within the meaning of Applicable Securities Legislation;
- (xxxii) to the knowledge of the Corporation, no insider of the Corporation has advised the senior officers of the Corporation of their present intention to sell any securities of the Corporation;
- (xxxiii) the form and terms of definitive certificates representing the Common Shares have been, duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;
- (xxxiv) the Corporation has made available to GLJ, prior to the issuance of the GLJ Report, for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, the Corporation has no knowledge of a material adverse change in any production, cost, reserves or other relevant information provided to GLJ since the dates that such information was so provided. The Corporation believes that the GLJ Report reasonably presents: (A) the quantity and pre-tax present worth values of the bitumen reserves attributable to the Oil Sand Leases; and (B) the quantity of the contingent resources attributable to the Oil Sands Leases, in each case, based upon information available at the time the GLJ Report was prepared, and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to changes in commodity prices since the date of the GLJ Report does not) overstate the aggregate quantity or pre-tax present worth

values of such reserves, the estimated monthly production volumes therefrom, or the aggregate quantity of such contingent resources;

- (xxxv) the GLJ Report has not been amended, supplemented or superceded;
- (xxxvi) although it does not warrant title, the Corporation does not have reason to believe that the Corporation or its Subsidiaries do not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the “**Interest**”) and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation or Subsidiaries except as those arising in the ordinary course of business or pursuant to the 2012 Debentures, and that, to the knowledge of the Corporation, each of the Corporation and Subsidiaries holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a Material Adverse Effect;
- (xxxvii) the Corporation is not aware of any defects, failures or impairments in the title of any of the Corporation or Subsidiaries to its crude oil, natural gas liquids, natural gas and bitumen properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which, in aggregate, could have a material adverse effect on: (A) the quantity and pre-tax present worth values of bitumen reserves attributable to the Oil Sand Leases; or (B) the quantity of contingent resources attributable to the Oil Sand Leases;
- (xxxviii) other than as disclosed in the Financial Statements, the Corporation has not completed any “significant acquisition” (as such term is defined in National Instrument 51-102, *Continuous Disclosure Obligations*) and, the Corporation is not proposing any “proposed acquisition” (as such term is used in Item 10 of Form 44-101F1 to NI 44-101);
- (xxxix) to the knowledge of the Corporation, Deloitte LLP are independent chartered accountants with respect to the Corporation;
- (xl) there has not been any “reportable event” (within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations*) with the present or any former auditor of the Corporation;
- (xli) neither the Corporation nor its Subsidiaries is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation or its Subsidiaries and Applicable Laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person (other than the Corporation and/or its Subsidiaries);
- (xlii) other than pursuant to the 2012 Debentures, neither the Corporation nor its Subsidiaries has any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm’s length with the Corporation or its Subsidiaries that are currently outstanding;
- (xlili) each of the Corporation and its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring the Corporation and its Subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not constitute a Material Adverse Effect;

- (xliv) other than as disclosed in writing by the Corporation to the Holder, there are no material contracts or agreements to which the Corporation or its Subsidiaries is a party or by which it is bound and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation or its Subsidiaries, as the case may be, enforceable in accordance with their respective terms and, to the knowledge of the Corporation, no party thereto is in default thereunder. For the purposes of this paragraph, any contract or agreement pursuant to which the Corporation or its Subsidiaries will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$500,000, in either case in the next 12 months, or is out of the ordinary course of business of either the Corporation or its Subsidiaries, shall be considered to be material;
- (xlv) other than as disclosed in writing by the Corporation to the Holder, neither the Corporation nor its Subsidiaries is a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;
- (xlii) neither the Corporation nor its Subsidiaries have any entered into any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);
- (xliii) to the best of the Corporation's knowledge, all accounts receivable in any material amount of the Corporation are deemed collectible;
- (xliv) neither the Corporation nor, to the knowledge of the Corporation, any officer, director, employee or agent of the Corporation has, directly or indirectly (a) paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any broker, finder, agent, client representative, employee, political party or campaign, government official or other person, which any officer, director, employee or agent of the Corporation knew or had reason to believe, or ought to have known, was in violation of the *Corruption of Foreign Public Officials Act* (Canada), the *United States Foreign Corrupt Practices Act of 1977*, as amended, or any applicable law implementing the provisions of the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); or (b) made or received an unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment;
- (xlv) the Corporation has not been, nor to the knowledge of the Corporation, has any director, officer, agent, employee, affiliate or person acting on behalf of the Corporation been or is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department ("OFAC"); and the Corporation will not directly or indirectly use any proceeds of the distribution of this Debenture, or lend, contribute or otherwise make available such proceeds to the Corporation or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person targeted by any of the sanctions of the United States administered by OFAC;
- (i) the operations of the Corporation are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority

(collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-governmental authority involving the Corporation with respect to the Money Laundering Laws is, to the best knowledge of the Corporation, pending or threatened;

- (li) the Corporation and its Subsidiaries have, all proprietary rights provided in law to all patents, trademarks, copyrights, industrial designs, software, firmware, trade secrets, know-how, show-how, concepts, information and other intellectual and industrial property (collectively, “**Intellectual Property**”) necessary to permit each to conduct its business as it is currently conducted except where the failure to have such rights would not have a Material Adverse Effect. All such Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit “E”, is free and clear of any encumbrances which would have a Material Adverse Effect on the Corporation and neither the Corporation nor its Subsidiaries has knowledge of any claim of adverse ownership in respect thereof except where the failure to own or have such right of use would not have a Material Adverse Effect. Neither the Corporation nor any of its Subsidiaries license for use any Intellectual Property, the loss of which would have a Material Adverse Effect on it;
- (lii) to the knowledge of the Corporation, none of the use by it or its Subsidiaries of the Intellectual Property necessary to permit each to conduct its business as it is currently conducted, including for certainty that Intellectual Property set forth in Exhibit “E”, all applications therefor or the conduct of the business of each it and its Subsidiaries infringes upon, misappropriates or breaches the industrial or intellectual property rights of any other person;
- (liii) the Corporation has disclosed to the Holder a complete and accurate list of all registrations, and applications for registration, of Intellectual Property owned by the Corporation and its Subsidiaries (“**Registered Intellectual Property**”) in Exhibit “E”. The Corporation or its Subsidiaries hold the entire right, title and interest in and to all of the Registered Intellectual Property and have the exclusive and unfettered right to make, use and sell the Registered Intellectual Property to the extent of the rights granted therein. Neither the Corporation nor its Subsidiaries has knowledge of any invalidity or unenforceability of the Registered Intellectual Property. None of the Intellectual Property owned by the Corporation (“**Owned Intellectual Property**”) has been licensed to another entity other than in the ordinary course of business;
- (liv) all of the Owned Intellectual Property is identified in Exhibit “E”;
- (lv) the employees or individual contractors who originally contributed to the development of the Owned Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit “E”, have (i) assigned all of their rights therein to Corporation, and (ii) waived their moral rights (if any) in the Owned Intellectual Property except as would not have a Material Adverse Effect; and
- (lvi) neither the Corporation nor any of its Subsidiaries has commenced legal proceedings against any Person relating to infringement, misappropriation or breach by such Person of any Intellectual Property owned by the Corporation or such Subsidiary, including for certainty that Intellectual Property set forth in Exhibit “E”.



**EXHIBIT "B"**

**CONVERSION NOTICE**

TO: OAK POINT ENERGY LTD.

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 15.0% Senior Secured Redeemable Convertible Debenture irrevocably elects to convert this Debenture (or \$\_\_\_\_\_ principal amount thereof\*) in accordance with the terms of this Debenture and tenders herewith this Debenture, and, if applicable, directs that the Common Shares of Oak Point Energy Ltd. issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: \_\_\_\_\_  
(Signature of Registered Holder)

\* If less than the full principal amount of this Debenture, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a Canadian Schedule 1 chartered bank, a major Canadian trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: \_\_\_\_\_

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, Province and Postal Code)

Name of guarantor: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

## EXHIBIT “C”

### REDEMPTION NOTICE

To: The Holder of 15.0% Senior Secured Redeemable Convertible Debenture (the “**Debenture**”) of Oak Point Energy Ltd. (the “**Corporation**”)

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the Debenture that the aggregate principal amount of \$• of the \$• of Debenture outstanding will be redeemed as of • (the “**Redemption Date**”), upon payment of a redemption amount of \$[•] for each \$1,000 principal amount of the Debenture, being equal to the aggregate of (i) \$• (the “**Redemption Price**”), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the “**Total Redemption Price**”).

The Total Redemption Price will be payable upon presentation and surrender of this Debenture called for redemption at the following office of the Holder set out in the Debenture.

The interest upon the principal amount of Debenture called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of this Debenture at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Debenture.

DATED:

**OAK POINT ENERGY LTD.**

---

(Authorized Director or Officer)

**EXHIBIT “D”****OIL SANDS LEASES**

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
<b>(a) Lewis Lands</b>			
Twp 92 Rge 7 W4M: Sec 27 & 34 Twp 93 Rge 7 W4M: Sec 3 & 4  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407050728	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 93 Rge 7 W4M: Sec 1 (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407100672	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(b) Lewis SW Lands</b>			
Twp 91 Rge 8 W4M: Sec 10 & 15 (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407100671	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(c) Great Divide West Lands</b>			
Twp 82 Rge 14 W4M: Sec 6 (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407010528	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 7 (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407010529	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
Twp 82 Rge 14 W4M: Sec 23  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110500	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 33  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110502	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 14  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110499	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 15 W4M: Sec 1  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407010530	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.
<b>(d) Chelsea River Lands</b>			
Twp 95 Rge 15 W4M: Sec 4 & 9  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406090454	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.
<b>(e) Duncan Lands</b>			
Twp 75 Rge 16 W4M: Sec 27  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010274	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.
Twp 75 Rge 16 W4M: Sec 35  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010275	100%	Crown S/S  1% GORR – Diamond Head Investments Ltd.

**EXHIBIT “E”**  
**INTELLECTUAL PROPERTY**

### INSite/KEMEX Patent Applications

<i>Title</i>	<i>Country</i>	<i>Application Number</i>	<i>Filing Date</i>	<i>Status<sup>3</sup></i>
Vapour Recovery Unit for Steam Assisted Gravity Drainage (SAGD)	US Provisional	61/376,298	24-Aug-10	
	US	13/074,275	29-Mar-11	Current
	Canada	2,735,069	29-Mar-11	Current
An Improved Water Recovery System SAGD System Utilizing a Flash Drum	US Provisional	61/376,300	24-Aug-10	
	US	13/074,283	29-Mar-11	Current
	Canada	2,735,061	29-Mar-11	Current
Contaminant Control System in Evaporative Water Treating System	US Provisional	61/376,301	24-Aug-10	
	US	13/074,265	29-Mar-11	Current
	Canada	2,735,097	29-Mar-11	Current
	China	201180051228-8	29-Mar-11	Current
	Colombia	13057-867	22-Mar-13	Current
	Europe	11819218-6	29-Mar-11	Current
	Kazakhstan	2013/1522-1	22-Feb-11	Current
	Madagascar	2013/8	29-Mar-11	Current
	Russia	2013107909	29-Mar-11	Current
	Oman	OM/P/2013/00039	24-Feb-11	Current
	Mexico	MX/a/2013/002224	25-Feb-13	Current
	Poland	P404140	22-Feb-13	Current
	Brazil	BR 11 2013 004388 1	25-Feb-13	Current
	Nigeria	NG/C/2013/138	29-Mar-11	Current
	United Arab Emirates	P/191/2013	24-Feb-13	Current

	Singapore	201301335-4	29-Mar-11	Current
	India	469/KOLNP/2013	22-Feb-13	Current
	Australia	2011293034	29-Mar-11	Current
Modular Mobile System for SAGD Process	US Provisional	61/437,292	28-Jan-11	
	US	13/095,318	27-Apr-11	Current
	Canada	2,738,259	27-Apr-11	Current
	China	201180066312-7	26-Jul-13	Current
	Kazakhstan	2013/1625-1	26-Aug-13	Current
	Madagascar	2013/30	27-Apr-11	Current
	Russia	2013139465	26-Aug-13	Current
	Oman	OM/P/2013/179	29-Jul-13	Current
	Mexico	MX/a/2013/008727	26-Jul-13	Current
	United Arab Emirates	818/2013	28-Jul-13	Current
	Nigeria	NG/C/2013/507	27-Apr-13	Current
	Australia	2011357584	12-Jul-13	Current
	India	5598/CHENP/2013	25-Jul-13	Current
	Singapore	201305720-3	27-Apr-13	Current
	Brazil	BR 11 2013 018814 6	23-Jul-13	Current
	Poland	P-406240	19-Jul-13	Current
Compact Evaporator for Modular SAGD Process	US Provisional	61/436,723	27-Jan-11	
	US	13/087,708	15-Apr-11	Current
	Canada	2,737,624	15-Apr-11	Current
	China	201180066313-1	15-Apr-11	Current
	Singapore	201305721-1	15-Apr-11	Current
	Kazakhstan	2013/1624-1	24-Aug-13	Current
	Russia	2013139465	26-Aug-13	Current

	Nigeria	NA <sup>1</sup>	15-Apr-11	Current
	United Arab Emirates	819/2013	28-Jul-13	Current
	Australia	2011357583	15-Apr-11	Current
	India	6002/CHENP/2013	25-Jul-13	Current
	Madagascar	2013/29	15-Apr-11	Current
	Oman	OM/P/2013/00175	27-Jul-13	Current
	Mexico	MX/a/2013/008726	26-Jul-13	Current
	Poland	P406241	15-Apr-11	Current
	Brazil	BR 11 2013 018729 8	23-Jul-13	Current
Solvent Bitumen Recovery Process	US Provisional	61/691,484	21-Aug-12	
	US	13/971,893	21-Aug-13	Current
	PCT	PCT/CA2013/000730	21-Aug-13	Current
Gravity Separation Process	US Provisional	61/648,794	18-May-12	Abandoned
A Methodology and Preferred Software that, together, Reduce the Effort required to Write and Maintain Operating Procedures for Manufacturing Plants and Oil and Gas Facilities	US Provisional <sup>2</sup>	61/551,101	25-Oct-11	
	US	13/660,060	25-Oct-12	Current
	Canada	2,793,315	25-Oct-12	Current
	PCT	PCT/CA2012/000992	25-Oct-12	Current

<sup>1</sup> Filing Associate will be providing application number upon issuance.

<sup>2</sup>Note US Provisional was entitled "Object Oriented Operating Procedures". Renamed upon formalization "A Methodology and Preferred Software that together Reduce the Effort required to Write and Maintain Operating Procedures for Manufacturing Plants and Oil and Gas Facilities."

<sup>3</sup>Current means up to date in all respects.



**EXHIBIT “F”**

**2013 FINANCIAL INFORMATION**

OAK POINT ENERGY



**DRAFT**

**Consolidated Income Statement**

Periods: January 1, 2013 to October 31, 2013

**Revenue**

License, Engineering and Consulting Revenue	\$	7,000.00
Inter-Company Consulting Revenue	\$	-
Oil & Gas Revenue	\$	-
Other Income	\$	34,079.72
<b>Total Revenue</b>	<b>\$</b>	<b>41,079.72</b>

**Expenses**

Royalty Expenses	\$	-
Cost of Sales - License & Engineering Packages	\$	-
General and Administrative	\$	2,714,471.52
Finance and Interest	\$	1,279,422.14
Stock Based Compensation	\$	5,291,278.51
Income Tax	\$	(14,236.02)
Depletion, Depreciation, Amortization & Accretion	\$	9,443.64
Diluent and Blending	\$	-
Transportation	\$	-
Operating Expenses	\$	-
Research and Development Expense	\$	-
<b>Total Expenses</b>	<b>\$</b>	<b>9,280,379.79</b>
	<b>\$</b>	<b>(9,239,300.07)</b>

**The Bank of Nova Scotia**  
Calgary Business Service Centre  
P.O. Box 53069 Marlborough CRO  
Calgary, Alberta  
Canada T2A 7P1  
Tel: 1-888-855-1234  
Fax: 1-877-909-7038



Robert Nicolay, Co-President & Co-CEO  
Oak Point Energy Ltd  
1000, 734 – 7<sup>th</sup> Ave SW  
Calgary, AB T2P 3P8  
November 20, 2013

Re: Account balance confirmation

Dear Mr. Robert Nicolay:

The following is a confirmation of the balances on your accounts as of October 31<sup>st</sup>, 2013.

**Oak Point Energy Ltd**

12989 00110 10      \$1,556,933.36

12989 03673 11      \$230,537.48

**Oak Point Consulting Group Ltd**

12989 01184 19      \$14,103.96      Dormant

**Kemex Ltd**

30189 00624 13      \$10, 840.25

10009 03364 16      \$256,000.00

30189 00217 17      \$1,160.66US      Dormant

Sincerely,

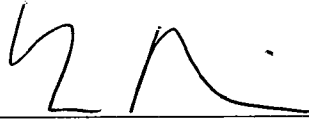
A handwritten signature in black ink, appearing to read "Shannon Enes".

Shannon Enes  
Assistant Manager  
Processing & Inquiries  
Transit: 12989 & 95968  
Ph: 1-888-855-1234  
Fax: 1-877-909-7038

# Exhibit "E"

This is Exhibit "E" to the  
Affidavit of Kate Malcolm

Sworn April 11, 2017



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Commissioner for taking affidavits

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AFTER THE LATER OF: (A) DECEMBER 23, 2013; OR (B) THE DATE THE CORPORATION BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY**

**SECOND AMENDED AND RESTATED DEBENTURE**

**\$25,000,000**

**OAK POINT ENERGY LTD.**

**(A corporation existing under the *Business Corporations Act* (Alberta))**

**15.0% SENIOR SECURED REDEEMABLE CONVERTIBLE DEBENTURE  
DUE DECEMBER 23, 2015**

**OAK POINT ENERGY LTD.** (the "**Corporation**") for value received hereby acknowledges itself indebted and promises to pay to Private Equity Oak LP (the "**Holder**") on December 23, 2015 (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of this Debenture, the principal sum of Twenty-Five Million Dollars (\$25,000,000) on presentation and surrender of this Debenture at the offices of the Corporation in Calgary, Alberta and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 15.0% per annum, in like money, in arrears in quarterly instalments on December 31, March 31, June 30 and September 30 in each year commencing on December 31, 2013, and provided that the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date and, should the Corporation at any time make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued on the original principal amount of \$20,000,000 from the original issuance date of this Debenture to, but excluding, December 31, 2013; the second interest payment will include interest accrued on the original principal amount of \$20,000,000 from December 31, 2013 to, but excluding, March 31, 2014; the third interest payment will include interest accrued on: (i) the original principal amount of \$20,000,000 from March 31, 2014 and (ii) the additional principal amount of \$2,000,000 from June 11, 2014, in each case to, but excluding, June 30, 2014; the fourth interest payment will include interest accrued on: (i) the principal amount of \$22,000,000 from June 30, 2014, and (ii) on the additional principal amount of \$3,000,000 from July 4, 2014, in each case to, but excluding, September 30, 2014. Interest will accrue and be payable on the full \$25,000,000 principal amount on all Interest Payment Dates after September 30, 2014.

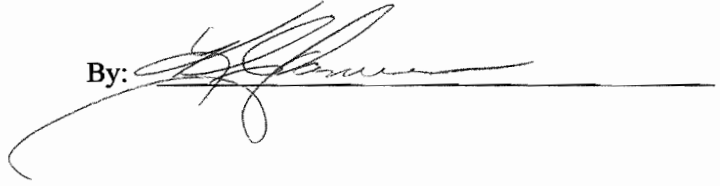
This Debenture is issued upon the terms and conditions as are set out in Schedule "A" hereto, and the terms, conditions and provisions contained in Schedule "A" are incorporated herein and constitute a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meaning ascribed to them in Schedule "A" hereto.

**IN WITNESS WHEREOF OAK POINT ENERGY LTD.** has caused this Debenture to be signed by its authorized representatives as of the 4<sup>th</sup> day of July, 2014.

**OAK POINT ENERGY LTD.**

**COPY**

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

A handwritten signature in dark ink, written over a horizontal line. The signature is stylized and appears to be a cursive name.

## SCHEDULE "A"

The following terms and conditions are applicable to the \$25,000,000 Second Amended and Restated 15% Senior Secured Convertible Debenture, due December 23, 2015 of Oak Point Energy Ltd.:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) **"1933 Act"** means the United States Securities Act of 1933, as amended;
- (b) **"2012 Debentures"** means the \$10,000,000 aggregate principal amount of 15.0% convertible secured redeemable debentures of the Corporation issued on September 19 and October 1, 2012;
- (c) **"Act"** means the *Business Corporations Act* (Alberta);
- (d) **"Affiliate"** shall have the meaning given in the Act;
- (e) **"Amendment and Restatement Date"** means July 4, 2014.
- (f) **"Applicable Laws"** means, in relation to any Person, property, transaction or event, all applicable provisions, whether now or hereafter in effect (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of all governmental authorities (whether or not having the force of law) and all judgments, orders and decisions of all governmental authorities in which the person in question is a party or by which it is bound or having application to the person, property, transaction or event;
- (g) **"Applicable Securities Legislation"** means applicable securities laws in each of the Provinces of Canada;
- (h) **"Board"** means the board of directors of the Corporation, as constituted from time to time;
- (i) **"Business Day"** means any day other than a Saturday, Sunday or any other day that Canadian chartered banks are not generally open for business in Calgary, Alberta;
- (j) **"Change of Control"** means:
  - (i) the purchase or acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or securities convertible into or carrying the right to acquire Common Shares;
  - (ii) the sale of all or substantially all of the assets of the Corporation; or
  - (iii) the completion by the Corporation of an amalgamation, arrangement, merger or other consolidation or combination involving the Corporation such that the previous Shareholders would not beneficially own, or exercise control or direction over, voting securities of the Corporation carrying the right to cast more than 50% of the votes

attaching to all voting securities, or immediately following such an event, the directors of the Corporation immediately prior to such event do not constitute a majority of the board of directors (or equivalent) of the successor or continuing corporation or entity immediately following such event;

- (k) **“Charge”** means the Security Interests created by or intended to be created by this Debenture;
- (l) **“Collateral”** means the Oil Sands Leases as described in Exhibit “D”;
- (m) **“Common Shares”** means common shares of the Corporation, as such common shares are constituted on the date of execution and delivery of this Debenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 5.5, “Common Shares” shall mean the common shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;
- (n) **“Confidential Information”** means all confidential or proprietary information, intellectual property (including trade secrets) and confidential facts relating to the business and affairs of the Corporation or its Affiliates together with all analysis prepared by the Holder based upon, in whole or in part, such information;
- (o) **“Conversion Price”** means the amount of one dollar (\$1.00) for which each Common Share may be issued from time to time upon the conversion of this Debenture which are by their terms convertible in accordance with, and subject to adjustment:
  - (i) prescribed by the provisions of Article 5; and
  - (ii) by reduction to a lesser price as is equal to the price at which any treasury issuance is made by the Corporation of Common Shares or the conversion or exchange price, respectively, of securities convertible or exchangeable into Common Shares, other than a treasury issuance pursuant to existing share option plans of the Corporation, such reduction being subject to any consents or restrictions required by any stock exchange or regulatory authority then having jurisdiction over the Corporation;
- (p) **“Corporation”** means Oak Point Energy Ltd. and includes any successor to or of the Corporation which shall have complied with the provisions of Article 12;
- (q) **“Corporation’s Auditors”** or **“Auditors of the Corporation”** means an independent firm of chartered accountants duly appointed as auditors of the Corporation;
- (r) **“Counsel”** means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Holder or retained or employed by the Corporation and acceptable to the Holder;



- (s) **“Creditor Proceedings”** means any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, plan of arrangement under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada), or similar proceedings of or with respect to the Corporation or its property or liabilities, or any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of the Corporation, or any bulk sale of assets by the Corporation, or proceedings in relation to any of the foregoing;
- (t) **“Debenture”** means this Second Amended and Restated 15.0% Senior Secured Redeemable Convertible Debenture due December 23, 2015, as amended and restated from time to time;
- (u) **“Default Rate”** has the meaning given in Section 9.1;
- (v) **“Environmental Laws”** means all Applicable Laws with respect to the environment or environmental or public health and safety matters contained in statutes, regulations, rules, ordinances, orders, judgments, approvals, notices, permits or policies, guidelines or directives having the force of law;
- (w) **“Environmental Liabilities”** means any and all indebtedness, liabilities and obligations for any Release, any environmental damage, any contamination or any other environmental problem caused or alleged to have been caused to any person, property or the environment as a result of any Release or the condition of any property or asset, whether or not caused by a breach of Applicable Laws, including all indebtedness, liabilities and obligations arising from or related to: any surface, underground, air, groundwater, or surface water contamination; restorations and reclamations; the removal of or failure to remove any foundations, structures or equipment; the cleaning up or reclamation of storage sites; any Release; violation of pollution standards; and personal injury (including sickness, disease or death) and property damage arising from the foregoing;
- (x) **“Event of Default”** has the meaning attributed thereto in Section 9.1;
- (y) **“Extraordinary Resolution”** has the meaning given in Section 13.12;
- (z) **“generally accepted accounting principles”** means generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, including applicable International Financial Reporting Standards;
- (aa) **“Holder”** or **“holder”** means Private Equity Oak LP and its successors and permitted assigns or the Person or Persons from time to time registered as the holder or holders of this Debenture pursuant to Section 6.1;
- (bb) **“Indebtedness”** means all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of a Person howsoever arising, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, including all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether such Person be bound alone or with others and whether as principal or surety, including all interest, fees, expenses, indemnities and costs;
- (cc) **“Intellectual Property”** has the meaning attributed thereto in paragraph (li) of Exhibit “A” hereto and, for certainty includes, but is not limited to, those items described in Exhibit “E” hereto;

- (dd) **"Interest Obligation"** means the obligation of the Corporation to pay interest on this Debenture, as and when the same becomes due in accordance with the terms herein;
- (ee) **"Interest Payment Date"** means a date specified in this Debenture as the date on which an instalment of interest on this Debenture shall become due and payable;
- (ff) **"IPO"** means an initial public offering of Common Shares by way of a prospectus, registration statement or similar document where, or in connection with which, the Common Shares are to become listed and posted for trading or quoted on a recognized securities exchange;
- (gg) **"Issue Date"** means December 23, 2013;
- (hh) **"Material Adverse Effect"** means any event, circumstance, occurrence or change which could reasonably be expected to:
  - (i) impair in any material manner the ability of the Corporation to perform, any material obligation under this Debenture, any other material Transaction Document or any material contract;
  - (ii) have any material and adverse effect upon the validity or enforceability of any of the Security or upon the ranking of any of the Security Interests granted thereby or the material rights or remedies intended or purported to be granted to the Holder under or pursuant to the Security; or
  - (iii) be material and adverse to the business, operations, assets, condition (financial or otherwise) or results of operations of the Corporation and its Subsidiaries (taken as a whole);
- (ii) **"Maturity Date"** means December 23, 2015;
- (jj) **"Nominated Directors"** shall have the meaning given in Section 7.18;
- (kk) **"Obligations"** means any and all present and future Indebtedness of the Corporation to the Holder under this Debenture;
- (ll) **"Officer's Certificate"** means a certificate of the Corporation signed by any one authorized officer or director of the Corporation, on behalf of the Corporation, in his or her capacity as an officer or director of the Corporation, as the case may be, and not in his or her personal capacity;
- (mm) **"Oil Sands Leases"** means the Alberta crown oil sands leases described in Exhibit "D" and all extensions, renewals, replacements or amendments thereto;
- (nn) **"Owned Intellectual Property"** has the meaning attributed thereto in paragraph (liii) of Exhibit "A" hereto;
- (oo) **"Payment Account"** means such account as the Holder may from time to time advise the Corporation in writing;
- (pp) **"Permitted Encumbrances"** means:
  - (i) Security Interests for taxes, assessments or governmental charges not yet due or delinquent or the validity of which is being contested in good faith;

- (ii) Security Interests arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith;
- (iii) Security Interests under or pursuant to any judgment rendered or claim filed which are or will be appealed in good faith, provided any execution thereof has been stayed;
- (iv) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent;
- (v) Security Interests arising by operation of law such as builders' liens, carriers' liens, materialmens' liens and other liens of a similar nature which relate to obligations not due or delinquent;
- (vi) Security Interests incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of any of the Collateral as security in favour of any other Person which is conducting the exploration, development or operation of the property to which such Security Interests relate, provided such Security Interests relate to the costs and expenses of such exploration, development or operation, which have not at such time been filed pursuant to law and which relate to obligations not due or delinquent; and
- (vii) Security Interests granted in favour of the Holder hereunder;
- (qq) **"Person"** includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (rr) **"Redemption Date"** has the meaning attributed thereto in Section 4.2;
- (ss) **"Redemption Notice"** has the meaning attributed thereto in Section 4.2;
- (tt) **"Redemption Price"** means a price in cash equal to 125% of the principal amount of this Debenture plus accrued and unpaid interest thereon;
- (uu) **"Registered Intellectual Property"** has the meaning attributed thereto in paragraph (liii) of Exhibit "A" hereto;
- (vv) **"Release"** means any material release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leeching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface water, groundwater, rock formation or otherwise;
- (ww) **"Security"** means the Security Interest granted by the Corporation pursuant to Section 3.1 hereunder and any amendments thereto, and any and all other documents, instruments or agreements to which the Holder is granted or receives a Security Interest pursuant to the terms hereof or thereof;
- (xx) **"Security Interest"** means a mortgage, indenture, pledge, deposit by way of security, charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at

common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;

- (yy) **"Shareholder"** means a holder of Common Shares;
- (zz) **"Subsidiary"** has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (aaa) **"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;
- (bbb) **"Time of Expiry"** means the time of expiry of certain rights with respect to the conversion of this Debenture under Article 5;
- (ccc) **"Transaction Document"** means this Debenture, the Security, the subscription agreement dated the date hereof between the Holder and the Corporation and all other agreements, certificates, instruments and documents delivered by or on behalf of the Corporation in connection herewith or therewith from time to time and all future renewals, extensions or restatements, amendments, modifications or supplements to, all or any part of the foregoing; and
- (ddd) **"Written Direction of the Corporation"** means an instrument in writing signed in the name of the Corporation by any one of the Chief Executive Officer, the Chief Financial Officer, a Vice-President or the Corporate Secretary of the Corporation.

## 1.2 Meaning of "Outstanding"

This Debenture shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Corporation for cancellation, conversion or redemption for monies and/or Common Shares, as the case may be.

## 1.3 Interpretation

In this Debenture:

- (a) **"this Debenture"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this Debenture and not to any particular Article, Section, Exhibit, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (c) all references to Articles, Schedules, and Exhibits refer, unless otherwise specified, to articles of, schedules to and exhibits to this Debenture;
- (d) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Debenture; and
- (e) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them.

**1.4 Headings Etc.**

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

**1.5 Day not a Business Day**

In the event that any day on or before which any action required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

**1.6 Applicable Law**

This Debenture shall be construed 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.

**1.7 Monetary References**

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

**1.8 Invalidity**

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

**1.9 Successors and Assigns**

All covenants and agreements in this Debenture by the Corporation shall bind its successors and assigns, whether expressed or not.

**1.10 Benefits of Debenture**

Nothing in this Debenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent and the Holder, any benefit or any legal or equitable right, remedy or claim under this Debenture.

**ARTICLE 2  
INTEREST AND PAYMENTS**

**2.1 Payment of Interest**

- (a) This Debenture shall be dated as of the Issue Date and shall bear interest from such date of issue at the rate of 15.0% per annum, payable quarterly on December 31, March 31, June 30 and September 30, in each year, the first such payment to fall due on December 31, 2013 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the Default Rate, compounded annually. For certainty the first interest payment will include interest accrued on the original principal amount of \$20,000,000 from the Issue Date to, but excluding, December 31, 2013; the second interest payment will include interest accrued on the original principal amount of \$20,000,000 from December 31, 2013 to, but excluding, March 31, 2014; the third

interest payment will include interest accrued on: (i) the original principal amount of \$20,000,000 from March 31, 2014, and (ii) the additional principal amount of \$2,000,000 from June 11, 2014 and, in each case to, but excluding, June 30, 2014; the fourth interest payment will include interest accrued on: (i) the principal amount of \$22,000,000 from June 30, 2014, and (ii) the additional principal amount of \$3,000,000 from the Amendment and Restatement Date, in each case to, but excluding, September 30, 2014. Interest will accrue and be payable on the full \$25,000,000 principal amount on all Interest Payment Dates after September 30, 2014. This Debenture will mature on December 23, 2015.

- (b) Interest for any period of less than six months shall be computed on the basis of a year of 365 days. Subject to Section 2.1(a) in respect of the method for calculating the amount of interest to be paid on this Debenture on the first, second and third Interest Payment Dates in respect thereof, with respect to this Debenture, whenever interest is computed on a basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act (Canada)* by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.
- (c) As interest becomes due on this Debenture, the Corporation shall pay such interest, on each Interest Payment Date by causing to be deposited to the Payment Account an amount equal to such interest in immediately available funds.

## **2.2 Payment of Principal**

On the Maturity Date, the Corporation shall deposit to the Payment Account an amount sufficient to pay the cash amount payable in respect of this Debenture (including the principal amount together with any accrued and unpaid interest thereon) in immediately available funds.

## **2.3 Time, Place and Currency of Payment**

Payments of the principal amount payable under this Debenture and interest and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian dollars for value at or before 10:00 a.m. (Calgary time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

# **ARTICLE 3 SECURITY**

## **3.1 Grant of Security Interest**

To secure the payment, performance and satisfaction in full of each and every Obligation in respect of this Debenture, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.4) mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Holder and grants to and in favour of the Holder a continuing first priority Security Interest in and to all of the Corporation’s right, title, estate and interest in and to the Oil Sands Leases and all proceeds in respect thereof.

## **3.2 Attachment**

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Charge in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case, the Charge shall

attach contemporaneously with the Corporation acquiring rights therein without the need for any further act, deed or consideration. The Charge shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Debenture. The Corporation acknowledges conclusively that value has been given.

### **3.3 Leases**

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Charge and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

### **3.4 Contractual Rights**

In the event the validity and effectiveness of the Charge over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Charge with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

### **3.5 Liability of the Holder**

Neither the Holder nor any receiver shall (a) be responsible or liable for any debts contracted by it, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of Applicable Law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any receiver than aforesaid.

### **3.6 Mandatory Provisions of Applicable Law**

Subject to Section 3.7, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of Applicable Law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of Applicable Law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of Applicable Law. Subject to Section 3.7, if any mandatory provision of Applicable Law shall provide for different or additional requirements than or to those

specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Charge or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure of the Charge required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to mandatory provisions of Applicable Law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

### **3.7 Waivers of Applicable Laws**

To the extent not prohibited by Applicable Law, the Corporation hereby waives its rights, if any, under all provisions of Applicable Law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any notice, financing statement or any verification statement issued by any registry that confirms registration of a requisite notice or financing statement relating to this Debenture.

### **3.8 Further Assurances**

- (a) The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for better accomplishing and effectuating the purpose of this Debenture as a result of a change in Applicable Law or otherwise, including the execution and delivery of debentures or other agreements supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental debentures or other agreements under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental documents shall form part of this Debenture for all purposes.
- (b) The Corporation will ensure that this Debenture and all documents, caveats, security notices (including under and pursuant to the *Mines and Minerals Act* (Alberta)) and financing statements in respect thereof, are promptly filed and re-filed, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by Applicable Law or as may be necessary or desirable to perfect and preserve the Charge and the rights conferred or intended to be conferred upon the Holder by the Charge and will promptly provide the Holder with evidence (satisfactory to the Holder) of such filing, registration and deposit.
- (c) The Corporation agrees to deliver from time to time to the Holder any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Holder, which the Holder requests for the purpose of perfecting, confirming, or protecting any Security Interest or other rights in any property securing any Obligations in respect of this Debenture.
- (d) The Corporation will furnish to the Holder from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.



### **3.9 Discharge; Partial Release**

- (a) Subject to the provisions of Article 10, upon the full and final payment and performance of the Obligations in respect of this Debenture, the rights hereby granted in respect of this Debenture shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the reasonable request and at the expense of the Corporation cancel and discharge the Charge in respect of this Debenture and execute and deliver to the Corporation such deeds and other instruments as shall be requisite to cancel and discharge the Charge. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or such payment must otherwise be restored, refunded, returned or reimbursed by the Holder.
- (b) No postponement or partial release or discharge of the Charge in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Charge except as therein specifically provided, or so as to release or discharge the Corporation from its liability to fully pay and satisfy the Obligations.

### **3.10 Obligations Absolute**

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Charge is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

### **3.11 Composite Mortgage**

This Debenture is a composite mortgage and security agreement covering the Collateral located in various Provinces and Territories of Canada or elsewhere and, as to portions of the Collateral located in such separate jurisdictions, this Debenture shall be a separate mortgage and security agreement enforceable against the Corporation without regard to the application of this Debenture to portions of the Collateral located in other jurisdictions. All provisions hereof shall be applicable separately to the portions of the Collateral located in each separate jurisdiction with the same effect as if a separate mortgage and security agreement with respect thereto had been executed and delivered by the Corporation to the Holder. Upon the reasonable request of the Holder, the Corporation shall prepare, execute and deliver, at its expense, a separate mortgage and security agreement covering the portion of the Collateral located in any such jurisdiction or jurisdictions, such separate mortgage and security agreement to be substantially in the form hereof except for such modifications as shall be required by the fact that such mortgage and security agreement relates only to the property of such Corporation located in such jurisdiction or jurisdictions or as may be required by the Holder in connection therewith.

## **ARTICLE 4 REDEMPTION AND PURCHASE OF DEBENTURES**

### **4.1 Applicability of Article**

The Corporation shall have the right, at its option to redeem in whole at any time before maturity, by payment of money, this Debenture at the Redemption Price and on such date and in

accordance with such other provisions as shall have been determined at the time of issue and as shall have been expressed in this Debenture.

#### **4.2 Notice of Redemption**

Notice of redemption in the form attached hereto as Exhibit "C" (the "**Redemption Notice**") shall be given to the Holder not more than 60 days nor less than 30 days prior to the date fixed for redemption (the "**Redemption Date**") in the manner provided in Section 14.2. Every such notice shall specify the Redemption Date, the Redemption Price and the places of payment.

#### **4.3 Debenture Due on Redemption Dates**

Provided that a Redemption Notice has been provided to the Holder in accordance with Section 4.2, this Debenture so called for redemption shall thereupon be and become due and payable at the Redemption Price, together with accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in this Debenture, anything herein to the contrary notwithstanding.

#### **4.4 Cancellation of Redeemed Debenture**

Upon payment of the Redemption Price and all other monies owing hereunder by the Corporation to the Holder, this Debenture shall forthwith be delivered to the Corporation and cancelled.

### **ARTICLE 5 CONVERSION OF DEBENTURE**

#### **5.1 Applicability of Article**

The Holder shall have the right at such Holder's option, at any time prior to the close of business on the earlier of:

- (a) the last Business Day immediately preceding the Maturity Date; and
- (b) the last Business Day immediately preceding the date specified by the Corporation for redemption of the Debenture by notice to the Holder in accordance with Section 4.2;

(the earlier of which will be the "**Time of Expiry**" for the purposes of Article 5 in respect of this Debenture), to convert this Debenture into Common Shares, at such conversion rate or rates, and on such date or dates and in accordance with such other provisions as set forth herein. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of this Debenture at any one time may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 5.6.

#### **5.2 Notice of Expiry of Conversion Privilege**

Notice of the expiry of the conversion privileges of this Debenture shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 14.2.

### 5.3 Revival of Right to Convert

If this Debenture has been called for redemption but has not been redeemed, upon due surrender of this Debenture, provided the Time of Expiry has not passed, then the right to convert this Debenture shall revive and continue as if this Debenture had not been called for redemption.

### 5.4 Manner of Exercise of Right to Convert

- (a) The holder of this Debenture desiring to convert this Debenture in whole or in part into Common Shares shall surrender this Debenture to the Corporation at its principal office in the City of Calgary together with a conversion notice in the form attached as Exhibit "B" or any other written notice in a form satisfactory to the Corporation, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Corporation, exercising his right to convert this Debenture in accordance with the provisions of this Article 5. Thereupon the Holder, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Corporation, shall be entitled to be entered in the books of the Corporation as at the Conversion Date (or such later date as is specified in Section 5.4(b)) as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article 5 and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 5.4(e) hereof.
- (b) For the purposes of this Article 5, this Debenture shall be deemed to be surrendered for conversion on the date (herein called the "**Conversion Date**") on which it is so surrendered in accordance with the provisions of this Article 5 and, in the case of this Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Corporation at one of its offices specified in Section 5.4(a); provided that if this Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the Business Day on which such register is next reopened.
- (c) Any part, being \$1,000 or an integral multiple thereof, of this Debenture in a denomination in excess of \$1,000 may be converted as provided in this Article 5 and all references in this Debenture to conversion of Debenture shall be deemed to include conversion of such part.
- (d) If only a part of this Debenture is converted, the Holder shall, upon the exercise of his right of conversion, surrender this Debenture to the Corporation, and the Corporation shall cancel the same and shall without charge forthwith deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of this Debenture so surrendered.
- (e) The Holder shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of holders of Common Shares of record on and after the Conversion Date or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 5.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

## 5.5 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares, or (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution, the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a dividend or distribution, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, redivision or dividend, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 5.5(a) shall occur. Any such issue of Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (b) and (c) of this Section 5.5.
- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 60 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than the Conversion Price on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Conversion Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants, as the case may be.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "**Spinoff Securities**"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the Holder, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of Shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of (A) the weighted average trading price of one Common Share over the 20 consecutive Trading Day period (the "**Spinoff Valuation Period**")

commencing on and including the fifth Trading Day after the Ex-Dividend Date and (B) the product of (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of one Spinoff Security or, if no such prices are available, the fair market value of one Spinoff Security as reasonably determined by the Board (which determination shall be conclusive and made in good faith) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the weighted average trading price of one Common Share over the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that the Holder shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that the Holder would have received if this Debenture had been converted on the record date with respect to such distribution. In respect of any conversion during the Spinoff Valuation Period, references to 20 consecutive trading days shall be deemed to be replaced with such lesser number of trading days as have elapsed between the commencement of the Spinoff Valuation Period and the relevant conversion date.

- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 60 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), (iii) evidences of its indebtedness, or (iv) assets (including cash dividends or distributions) then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price on such record date, less the fair market value (as determined by an independent firm of chartered accountants acceptable to the Holder and the Corporation, which determination shall be conclusive) of such shares or rights, options or warrants or evidences or indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.
- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 5.5(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of this Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation,

dissolution or winding-up, as the case may be, that such holder of this Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the directors of the Corporation, to give effect to or to evidence the provisions of this Section 5.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares or other securities or property to which the Holder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Holder pursuant to the provisions of this Section 5.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.1(a)(i). Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Holder shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 5.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances.

- (e) In any case in which this Section 5.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as such holder would, but for the provisions of this Section 5.5(e), have become the holder of record of such additional Common Shares pursuant to Section 5.4(b).
- (f) The adjustments provided for in this Section 5.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 5.5(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.
- (h) In the event of any question arising with respect to the adjustments provided in this Section 5.5, such question shall be conclusively determined by a firm of chartered accountants appointed by the Corporation and acceptable to the Holder (who may be the auditors of the Corporation); such

accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder.

- (i) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 5.5, which in the opinion of the directors of the Corporation, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors of the Corporation, as the directors of the Corporation, in their sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.
- (j) No adjustment in the Conversion Price shall be made in respect of any event described in Sections 5.5(a), 5.5(b) or 5.5(c), other than the events described in 5.5(a)(i) or 5.5(a)(ii), if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted this Debenture prior to the effective date or record date, as the case may be, of such event.
- (k) Except as stated above in this Section 5.5, no adjustment will be made in the Conversion Price for this Debenture as a result of the issuance of Common Shares at less than the then applicable Conversion Price.

#### **5.6 No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to this Article 5. The number of whole Common Shares issuable upon conversion of this Debenture shall be computed on the basis of the aggregate principal amount to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon such conversion, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the Holder of an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

#### **5.7 Corporation to Reserve Common Shares**

The Corporation covenants with the Holder that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon conversion of this Debenture as in this Article 5 provided, and conditionally allot to Holder who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Corporation covenants with the Holder that all Common Shares that shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

#### **5.8 Cancellation of Converted Debenture**

Subject to the provisions of Section 5.4 as to conversions in part, upon conversion of this Debenture in accordance with the provision of this Article 5, this Debenture shall be forthwith delivered to and cancelled by the Corporation and no Debenture shall be issued in substitution therefore.

#### **5.9 Certificate as to Adjustment**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 5.5, deliver an Officer's Certificate to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall



be verified by an opinion of a firm of chartered accountants appointed by the Corporation and acceptable to the Holder and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Holder in the manner provided in Section 14.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price; provided that, if the Corporation has given notice otherwise therein under this Section 5.9 covering all the relevant facts in respect of such event and if the Holder approves, no such notice need be given under this Section 5.9.

#### **5.10 Notice of Special Matters**

The Corporation covenants with the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder in the manner provided in Section 14.2 of its intention to fix a record date for any event referred to in Section 5.5(a), (b) or (c) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than fourteen (14) days in each case prior to such applicable record date.

### **ARTICLE 6 TRANSFER OF DEBENTURE**

#### **6.1 Register of the Debenture**

The Corporation shall keep or cause to be kept a register in which the Holder or holders shall be registered. The name and address of each holder and particulars of this Debenture held shall be entered in the register. For the purposes of this Debenture, the Corporation may treat the registered owner of this Debenture as the beneficial owner thereof for all purposes.

#### **6.2 Transfer of the Debenture**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right may not be transferred unless an exemption from the prospectus requirements under Applicable Securities Legislation is available. The Holder agrees that, unless prior written consent is obtained from the Corporation, it may only transfer the Debenture in whole and not in part. Upon the due transfer of this Debenture, the transferee shall be entitled to receive, without charge, a new certificate representing the applicable principal amount in respect of the transferee after giving effect to such transfer.

#### **6.3 U.S. Transferee**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right have not been registered under the 1933 Act, or the securities laws of any state of the United States of America, and may not be transferred to a U.S. Person (as defined on Regulation S of the 1933 Act) unless this Debenture and the Common Shares issuable upon exercise of the Conversion Right have been registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available.

#### **6.4 Replacement Debenture**

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to Applicable Law, shall issue and deliver, a new debenture of like tenor as the one mutilated, lost,



destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture. The Holder shall bear the cost of the issue of a replacement Debenture and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of this Debenture as shall be satisfactory to the Corporation, in its sole discretion, and the Holder may also be required to furnish an indemnity or security in amount and form satisfactory to the Corporation, in its sole discretion, and shall pay the reasonable charges of the Corporation in connection therewith.

## **ARTICLE 7 COVENANTS OF THE CORPORATION**

The Corporation hereby covenants and agrees with the Holder, that so long as this Debenture remains outstanding:

### **7.1 To Pay Principal and Interest**

The Corporation will duly and punctually pay or cause to be paid to the Holder the principal of, premium (if any) and interest accrued on this Debenture of which it is the holder on the dates, at the places and in the manner mentioned herein.

### **7.2 To Give Notice of Default**

The Corporation shall notify the Holder as soon as practicable after obtaining knowledge of:

- (a) any Event of Default hereunder; or
- (b) any material default under any material contract.

### **7.3 Preservation of Existence, Status, etc.**

Subject to the express provisions hereof, the Corporation will: (a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, subject to Section 12.1; and (b) carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices.

### **7.4 Provision of Financials**

The Corporation covenants and agrees that:

- (a) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with an independent engineering report on the Corporation's properties on which operations have taken place in the past year that has been prepared by a nationally-recognized, independent engineering firm;
- (b) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with audited annual financial statements of the Corporation;
- (c) no later than 90 days prior to the beginning of each fiscal year, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with the Corporation's

budget for the upcoming fiscal year which shall include all significant expenditures and a projected income statement and balance sheet;

- (d) within 60 days following each interim fiscal quarter, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with unaudited interim financial statements of the Corporation; and
- (e) subject to compliance with applicable securities laws relating to selective disclosure, it will advise the Holder as soon as reasonably possible of any material change (actual, anticipated or threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and, if applicable, its subsidiaries; provided that if the Corporation is uncertain as to whether a material change has occurred, the Corporation shall promptly inform the Holder of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Holder as to whether the occurrence is of such nature.

#### **7.5 Keeping of Books**

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

#### **7.6 No Distributions on Common Shares if Event of Default**

The Corporation shall not declare or make any dividends, return of capital or other distribution to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

#### **7.7 No *Pari Passu* Indebtedness**

The Corporation shall not incur any Indebtedness which ranks in any respect in priority to or *pari passu* with the Obligations.

#### **7.8 Other Security Interests**

The Corporation shall not grant, create or permit to be granted or created any other Security Interest over the Collateral, except for: (a) Permitted Encumbrances; and (b) Security Interests expressly subordinated to the Security Interest granted hereunder in a manner satisfactory to the Holder.

#### **7.9 Perfection of Securities Interests**

The Corporation will create, perfect and maintain in force the Security Interests created by this Debenture and will do all things necessary to ensure the Security Interests to which it is subject are effective and enforceable in the jurisdiction in which they are registered, or are to be registered, and will provide the Holder evidence satisfactory to establish compliance with this Section if and when requested to do so by the Holder.

#### **7.10 Defend Title to Assets**

As long as this Debenture is outstanding, the Corporation shall maintain, protect and defend title to the Oil Sands Leases, and take all such acts and steps as are necessary or advisable at any time and from time to time to maintain the Oil Sands Leases in good standing.

#### **7.11 Insurance**

As long as this Debenture is outstanding, the Corporation shall maintain in full force and effect such policies of insurance, including public liability and property damage insurance, in such amounts issued by insurers of recognized standing covering its Oil Sands Leases as are customarily maintained by persons engaged in the same or similar business in the localities where its Oil Sands Leases are located.

#### **7.12 Intellectual Property**

As long as this Debenture is outstanding, the Corporation shall not, directly or indirectly, sell, transfer, convey or otherwise dispose, directly or indirectly, of any Intellectual Property held at the date hereof, including but not limited to the Intellectual Property identified in Exhibit "E", unless it has obtained the consent of the Holder, such consent not to be unreasonably withheld. For certainty, nothing in this Section 7.12 is intended to prohibit the Corporation, directly or indirectly, from granting licenses to the Intellectual Property in the ordinary course of business.

#### **7.13 Notice**

The Corporation shall give the Holder prompt written notice and, in any event at least 15 days prior to the effective date of any such change in respect of matters set forth in (a), (b) or (c) immediately below, of each of the following changes in respect of the Corporation:

- (a) any change to its chief executive office or principal place of business or registered office;
- (b) any change to its legal name;
- (c) any change to the jurisdiction of its incorporation or formation;
- (d) any Material Adverse Effect;
- (e) any material impairment in the value of the Intellectual Property; and
- (f) any challenge to the Corporation's title to any or all of the leases comprising the Oil Sands Leases or any threatened termination or pending expiry thereof.

#### **7.14 Proceeds**

The Corporation shall use the proceeds of the original principal amount of \$20,000,000 from the issuance and sale of this Debenture to repay the 2012 Debentures to the extent such 2012 Debentures are not converted in accordance with their terms and for general working capital purposes and for project development purposes, in that order of priority. The Corporation shall use the proceeds of the additional principal amount of \$2,000,000 to cover the cost of its 2014 coring program. The Corporation shall use the proceeds of the additional principal amount of \$3,000,000 to fund the completion of the "Issued For Design" (IFD) level of detailed engineering for an UltraLite facility.

#### **7.15 No Unanimous Shareholder Agreements**

The Corporation agrees that it will not, without the prior written consent of the Holder, enter into or allow its Shareholders to enter into a unanimous shareholder agreement.

#### **7.16 Publications**

Without the prior consent of the Holder, the Corporation will not issue any press release or make any other public announcement regarding the Holder or the transactions contemplated hereby that names the Holder, except to the extent required by Applicable Law, and only after using commercial reasonable efforts to consult with the Holder as to how it should be named therein.

#### **7.17 Performance of Covenants by Holder**

If the Corporation shall fail to perform any of its covenants contained in this Debenture, the Holder may itself perform any of the covenants capable of being performed by it, but shall be under no obligation to do so. All sums so expended or advanced by the Holder shall be repayable by the Corporation to the Holder. No such performance, expenditure or advance by the Holder shall be deemed to relieve the Corporation of any default hereunder.

#### **7.18 Nominee Directors**

The Holder shall be entitled, but not obligated, to nominate directors (the “**Nominated Directors**”) to the Board on the following basis:

- (a) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder is 10% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to appoint two (2) Nominated Directors; or
- (b) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder is 5% or greater but less than 10% of the issued and outstanding Common Shares, the Holder shall be entitled to appoint one (1) Nominated Director.

Upon such Nominated Director(s) being removed or resigning as a director, such vacancy shall be filled by a new Nominated Director(s) to be appointed, to the extent permitted by the Corporation’s articles and by-laws and the Act, by the Holder. Any other vacancy on the Board shall be filled in accordance with the Corporation’s articles and by-laws and the Act.

#### **7.19 Observer**

So long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder, is 3% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to designate a Person as an observer to attend meetings of the Board and receive all materials circulated to the Board provided such Person executes a confidentiality agreement in form and substance satisfactory to the Corporation, acting reasonably.

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

The Corporation represented and warranted to the Holder the representations and warranties set forth in Exhibit “A” to this Debenture as of the Issue Date and, as of the Amendment and Restatement Date hereby represents and warrants to the Holder the representations and warranties set forth in Exhibit “A” to this Debenture, as qualified by the bring down certificate of even date herewith provided to the Corporation. The Corporation confirms that the Holder is relying on such representations and warranties.

## ARTICLE 9 DEFAULT

### 9.1 Events of Default

Each of the following events constitutes, and is herein sometimes referred to as, an “Event of Default”:

- (a) failure for 15 days to pay interest on this Debenture when due;
- (b) failure to pay principal or premium, if any, on this Debenture when due whether at maturity, upon redemption, by declaration or otherwise;
- (c) failure to deliver when due all cash and Common Shares or other consideration deliverable upon conversion of this Debenture, which failure continues for 15 days;
- (d) default in the payment of principal when due, upon the maturity, demand or otherwise on, or failure to make any payment or take any action that results in acceleration of, other indebtedness of the Corporation for borrowed money where the aggregate principal amount with respect to which the default or acceleration has occurred exceeds \$1,000,000 and such default or acceleration has not been rescinded or annulled or such indebtedness repaid within a period of 30 days after receipt of a notice of default, provided that if any such default or acceleration is cured, waived, rescinded or annulled, then the Event of Default by reason thereof shall be deemed not to have occurred;
- (e) if one or more final judgments, decrees or orders, after available appeals have been exhausted, shall be awarded against the Corporation or any of its Subsidiaries for an aggregate amount in excess of \$1,000,000 and the Corporation or its Subsidiaries have not either satisfied such judgments, decrees or orders or provided security for any such judgments, decrees or orders within 20 days of such judgment, decree or order being awarded;
- (f) if any of this Debenture or any Security or any material provision of any of the foregoing shall at any time for any reason cease to be in full force and effect, be declared to be void or voidable (and the same is not forthwith effectively rectified or replaced by the Corporation) or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or the Corporation shall deny that it has any or any further liability or obligation thereunder, or at any time it shall be unlawful or impossible for them to perform any of their respective obligations under this Debenture, or the Security;
- (g) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period equal to 30 days;
- (h) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or

makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

- (i) if the Corporation ceases to carry on business;
- (j) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 12.1 are duly observed and performed;
- (k) if, after the date of this Debenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction;
- (l) the failure to perform or observe any of the other covenants, agreements or obligations under this Debenture or any other Transaction Document for 30 days after written notice of such failure from the Holder to the Corporation or from the Corporation to the Holder; or
- (m) if any material provision of any Transaction Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or if any Charge constituted pursuant to the Transaction Documents ceases to have the priority contemplated therein.

If such an event shall occur and be continuing, the Holder may, in its discretion, subject to the provisions of Section 9.2, by notice in writing to the Corporation declare the principal of and interest on this Debenture then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Holder, and the Corporation shall forthwith pay to the Holder such principal, accrued and unpaid interest and interest at the Default Rate (as defined below) on amounts in default on this Debenture (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Corporation, the premium, if any, on this Debenture then outstanding which would have been payable upon the redemption thereof by the Corporation on the date of such declaration) and all other monies outstanding hereunder, together with subsequent interest at the Default Rate on such principal, interest and such other monies from the date of such declaration until payment is received by the Holder, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of this Debenture. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

Notwithstanding anything contained herein, this Debenture shall bear interest on the due and unpaid principal, interest and all other monies outstanding hereunder from and after the occurrence and during the continuance of an Event of Default pursuant to Section 9.1 at the rate (the "**Default Rate**") equal to the lower of 20% per annum or the highest rate permitted by Applicable Laws.

## **9.2 Waiver of Default**

Upon the happening of any Event of Default hereunder, the Holder of this Debenture shall have the power to waive any Event of Default. No such act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

## **9.3 Enforcement by the Holder**

If the Corporation shall fail to pay to the Holder, forthwith after the same shall have been declared to be due and payable under Section 9.1, the principal of and premium (if any) and interest on

this Debenture then outstanding, together with any other amounts due hereunder, the Holder may in its discretion, proceed in its name to obtain or enforce payment of such principal of and premium (if any) and interest on this Debenture then outstanding together with any other amounts due hereunder by such proceedings authorized herein or by law or equity as the Holder shall deem expedient.

The Holder shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Holder allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.

The Holder, upon the occurrence of an Event of Default, may, in its absolute discretion, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or by deferred payment arrangement. The Holder may make any such sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof.

The Holder shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Holder.

#### **9.4 Proceeds of Realization**

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Charge or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to Applicable Laws, to the Corporation.

#### **9.5 Remedies Cumulative and Not Exclusive**

No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall be cumulative and shall be in addition to every other right, power or remedy given hereunder or now existing or hereafter to exist by law or by statute. Every right, power and remedy given to the Holder or to a receiver by this Debenture or under Applicable Laws may be exercised from time to time and as often as may be deemed expedient by the Holder or such receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the fullest extent permitted by Applicable Laws, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

## **9.6 Immunity of Holder and Others**

The Holder hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of this Debenture or on any covenant, agreement, representation or warranty by the Corporation herein or in this Debenture contained.

## **9.7 Judgment Against the Corporation**

The Corporation covenants and agrees with the Holder that, in case of any judicial or other proceedings to enforce the rights of the Holder, judgment may be rendered against it in favour of the Holder for any amount which may remain due in respect of this Debenture and premium (if any) and the interest thereon and any other monies owing hereunder.

## **9.8 Receiver**

Upon the occurrence of an Event of Default, the Holder may in its absolute discretion, appoint a receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a receiver;
- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a receiver under Applicable Law;
- (d) the Holder may from time to time fix the reasonable remuneration of the receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any receiver may issue certificates (in this Section 9.8 called "**Receiver's Certificates**"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;



- (g) every receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such receiver and the Holder may from time to time determine what funds any receiver shall be at liberty to keep on hand with a view to the performance of its duties as such receiver.

## **9.9 Indemnity**

Without in any manner derogating from the specific nature of the Charges granted to the Holder pursuant hereto, the Corporation expressly acknowledges and agrees that the Holder has not by virtue of its acceptance of this Debenture and the Charges granted hereunder assumed care and control of, or any responsibility for, the Collateral or any party thereof, and that the Corporation remains fully responsible for ensuring that the Collateral is operated, managed and maintained in a proper and prudent manner, in accordance with good industry practice, and in accordance with all Applicable Laws (including, without limitation, Environmental Laws). The Corporation hereby covenants with the Holder that it shall at all times hereafter keep the Holder indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, demands or claims instituted or made against the Holder, and all costs, losses, liabilities (including Environmental Liabilities), damages and expenses (including all legal fees on a solicitor and his own client, full indemnity basis) incurred by the Holder in any way relating to, arising out of, or incidental to any of the transactions contemplated by this Debenture, including, without limitation:

- (i) any failure on the part of the Corporation or any other person or entity dealing with the Collateral to observe and comply fully with all Applicable Laws, and with the lawful terms of all agreements, instruments and arrangements forming part of or relating to the Collateral, or by which the Corporation is otherwise bound, and which any of such indemnified parties suffers or incurs as a result of being the holder of the Charges granted hereunder and related rights hereunder;
- (ii) the Release of any contaminant, the threat of Release of any contaminant, or the presence of any contaminant affecting the Collateral, whether or not the same originates or emanates from the Collateral or any contiguous real property;
- (iii) any costs of removal or remedial action imposed by any person or damages from, injury to, destruction of or loss to the Collateral or any contiguous real property, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Law;
- (iv) any non-compliance by the Corporation or any predecessor in title to the Collateral under any applicable Environmental Law with respect to the Collateral;
- (v) any step taken by any person or entity to enforce compliance with or to collect or impose penalties, fines, or other sanctions provided by any Environmental Law with respect to the Collateral;
- (vi) liability for personal injury or property damages arising under any statutory or common law tort theory, including without limitation, third party, consequential and indirect

damages and damages assessed for the maintenance of a public or private nuisance or for the carrying on of the dangerous activity at any or near any Collateral;

- (vii) all environmental, health, reclamation and clean-up costs and obligations associated with or pertaining to the abandonment or reclamation of the Collateral, including any facilities, buildings, fixtures or equipment located thereon; and
- (viii) any obligation or liability arising directly or indirectly from the provision by any of such indemnified parties directly or indirectly of any funds to the Corporation as a result of which any contingent exposure to any of the foregoing liabilities listed in paragraphs (i) through (vii) above may arise, or as a result of taking or being granted any Charges granted hereunder or effecting any realization of, against or upon any of such indemnified parties or any of the Collateral.

If and for so long as no Event of Default has occurred and is continuing, the Corporation, at its option, shall be entitled to conduct the defense of such suit, action or proceeding with the participation of and taking into account the best interests of the Holder. If the Holder shall determine in good faith that the defense of any such suit, action or proceeding is not being conducted in its best interests, the Holder, shall on notice to the Corporation (and for the account of the Corporation) be entitled to take over the sole conduct of the defense of such suit, action or proceeding. This indemnity shall extend to the officers, directors, employees, agents, shareholders and assignees of the Holder and it shall survive repayment or cancellation of the Obligations secured hereby and the discharge or release of the Charges provided hereunder or otherwise.

#### **9.10 Possession**

The Corporation shall, on demand by the Holder or any receiver following the occurrence of an Event of Default, yield up possession of the Collateral or any part thereof as demanded by the Holder and put no obstacle in the way of, but facilitate by all legal means, the actions of the Holder or any receiver and not interfere with the carrying out of the powers hereby granted to the Holder or any receiver.

#### **9.11 Information**

All statements, reports, certificates, opinions and other documents or information required to be furnished to the Holder by the Corporation under this Debenture shall be supplied by the Corporation without cost to the Holder. If the Corporation fails to pay any amounts required to be paid by it under this Debenture or if the Corporation fails to observe or perform any of the covenants and obligations set forth in this Debenture to be observed or performed by it, the Holder and any receiver may, but shall be under no obligation to, pay such amounts or do such act or things as may be required to ensure such observance and performance, without waiving any of its rights under this Debenture. No such payment, act or thing by the Holder or any receiver shall relieve the Corporation from any default under this Debenture or the consequences of such default. The reasonable expenses (including the cost of any insurance and payment of taxes or other charges and legal fees and expenses on a solicitor and his own client, full indemnity, basis) paid by the Holder or any receiver shall be deemed advanced to the Corporation by the Holder or such receiver, shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum. In addition, the Corporation shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client, full indemnity, basis) incurred by the Holder, or any receiver in connection with the preparation, negotiation of terms, perfection, execution, protection, enforcement of and advice with respect to this Debenture (including the realization, disposition, retention, protection or collection of the Collateral or Security or any part thereof and the protection and enforcement of the rights of the Holder, and any receiver hereunder together with all remuneration paid to a receiver and all costs,

charges and expenses of or incidental to any receivership) and such expenses shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum.

#### **9.12 Power of Attorney**

The Corporation hereby irrevocably constitutes and appoints the Holder 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 Corporation and in the name of the Corporation or in its own name, from time to time in the Holder's discretion, for the purpose of carrying out the terms of this Debenture, to take any and all appropriate action and to execute any and all documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Debenture and which the Corporation being required to take or execute has failed to take or execute provided that this power of attorney shall not be effective until the Charge becomes enforceable. The Corporation hereby ratifies all that said attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and will be irrevocable until the Obligations have been unconditionally and irrevocably paid and performed in full. The Corporation also authorizes the Holder, at any time and from time to time, to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral in connection with the sale provided for in Section 9.3.

### **ARTICLE 10 SATISFACTION AND DISCHARGE**

#### **10.1 Cancellation and Destruction**

This Debenture shall forthwith after payment of all obligations hereunder, be delivered to the Corporation for cancellation and shall be destroyed by the Corporation.

#### **10.2 Discharge**

The Holder shall at the written request of the Corporation release and discharge this Debenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Holder and the other beneficiaries under Section 9.9 and the survival provisions set forth in Section 10.4), upon satisfaction or payment of the principal and premium (if any) of and interest (including interest on amounts in default, if any), on this Debenture and all other monies payable hereunder or that this Debenture having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on this Debenture and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

#### **10.3 Satisfaction**

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged this Debenture and the Holder, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of this Debenture; when the Corporation has deposited or caused to be deposited with the Holder for the purpose of making payment on this Debenture, an amount in money sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest, if any, to maturity or any repayment date or Redemption Dates, as the case may be, of this Debenture, and the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Holder for the payment of all other sums

payable with respect to all of this Debenture (together with all applicable expenses of the Holder in connection with the payment of this Debenture).

- (b) Upon the satisfaction of the conditions set forth in this Section 10.3, the terms and conditions of this Debenture, including the terms and conditions with respect thereto set forth in this Debenture (other than those contained in Article 2 and Article 4 and the provisions of Article 1 pertaining to Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

#### **10.4 Survival**

Notwithstanding anything to the contrary in this Debenture, including without limitation Sections 10.2 and 10.3, subsequent to conversion of the Debenture and for so long as the Holder and its Affiliates collectively beneficially own not less than ten percent (10%) of the issued and outstanding Common Shares of the Corporation, the terms and conditions contained in Sections 7.2(b), 7.3, 7.4, 7.5, 7.10, 7.11, 7.12 and 7.16 shall survive and continue to be binding upon the Corporation. Additionally, subsequent to conversion of the Debenture and for so long as the Holder beneficially owns any Common Shares of the Corporation, the terms and conditions contained in Section 7.18 and 7.19 shall survive and continue to be binding upon the Corporation except that all references to "10%" in Section 7.18 shall be read as "15%" subsequent to conversion.

The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for the better accomplishing and effectuating the purpose of this Section 10.4.

### **ARTICLE 11 PRE-EMPTIVE RIGHT TO ISSUANCES**

#### **11.1 Pre-emptive Right to Treasury Issuances**

From the period commencing on the date hereof and expiring on the Maturity Date, any Common Shares, securities convertible into Common Shares, or securities carrying voting rights ("Securities") to be issued by the Corporation, other than those to be issued pursuant to: (i) the 2012 Debentures; and (ii) the Corporation's share option plan and other ordinary course employment benefit plan, shall be first offered by the Corporation to the Holder (on behalf of the Holder and its Affiliates) immediately after a subscription price is determined or fixed by the Board. If the Holder or its Affiliates do not agree to take up any of such offered Securities within 30 days after receipt of such offer, such Securities, or remaining Securities that the Holder has not agreed to acquire, may be issued to any Person at a price not less than the aforesaid subscription price at any time during the 30 days commencing on the earlier of: (a) the date which the Holder advises the Corporation in writing that it and its Affiliates either (i) will not take up such Securities; or (ii) take up all or a portion of the Securities; or (b) the expiry of the aforesaid 30 day period during which the Holder or its Affiliates may agree to take up such Securities, without notice having been provided by the Holder to the Corporation.

The completion of the purchase of the Securities by the Holder, shall, if applicable, occur concurrently with the purchase and sale of Securities by any other Person and shall occur no earlier than the 10th Business Day after the expiry of the 30 day period referred to above. The process for the completion of the purchase and sale shall be agreed to by the Corporation and the Holder, each acting reasonably and in good faith.

## **ARTICLE 12 SUCCESSORS**

### **12.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.**

The Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a "Successor") whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:
  - (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Debenture;
  - (ii) this Debenture will be valid and binding obligations of the Successor entitling the Holder thereof, as against the Successor, to all the rights of Holder under this Debenture; and
  - (iii) in the case of an entity organized otherwise than under the laws of the Province of Alberta, shall attach to the jurisdiction of the courts of the Province of Alberta; and
- (b) such transaction, in the opinion of Counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Holder hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

### **12.2 Vesting of Powers in Successor**

Whenever the conditions of Section 12.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Debenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Debenture forthwith upon the Corporation delivering to the Holder an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the Successor. The Holder will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

## **ARTICLE 13 MEETINGS OF HOLDERS**

### **13.1 Right to Convene Meeting**

The Corporation may at any time and from time to time, and the Corporation shall, on receipt of a written request signed by the Holders of not less than 25% of the principal amount of the Debentures then outstanding convene a meeting of the Holders. In the event of the Corporation failing,

within 30 days after receipt of any such request, to give notice convening a meeting, such Holders may convene such meeting. Every such meeting shall be held in the City of Calgary or at such other place as may be approved or determined by the Corporation or the Holders, as applicable.

### **13.2 Notice of Meetings**

At least 21 days' notice of any meeting shall be given to the Holders in the manner provided in Section 14.2. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any Holder shall not invalidate any resolution passed at any such meeting. A Holder may waive notice of a meeting either before or after the meeting.

### **13.3 Chairman**

A Person, who need not be a Holder, nominated in writing by the Corporation shall be chairman of the meeting and if no Person is so nominated, or if the Person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Holders present in person or by proxy shall choose a Person present to be chairman.

### **13.4 Quorum**

Subject to the provisions of Section 13.12, at any meeting of the Holders a quorum shall consist of Holders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Holders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Holders or pursuant to a request of the Holders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Holders present in person or by proxy shall, subject to the provisions of Section 13.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting, which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

### **13.5 Power to Adjourn**

The chairman of any meeting at which a quorum of the Holders is present may, with the consent of the Holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

### **13.6 Show of Hands**

Every question submitted to a meeting shall, subject to Section 13.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

### **13.7 Poll**

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Holders or proxies for Holders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

### **13.8 Voting**

On a show of hands every person who is present and entitled to vote, whether as a Holder or as proxy for one or more Holders or both, shall have one vote. On a poll each Holder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of Debentures of which he shall then be the holder. A proxy need not be a Holder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

### **13.9 Proxies**

A Holder may be present and vote at any meeting of Holders by an authorized representative. The Corporation for the purpose of enabling the Holders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

- (a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Holder;
- (b) the deposit of instruments appointing proxies at such place as the Corporation or the Holders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited;
- (c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and
- (d) generally for the calling of meetings of Holders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Holders and persons whom Holders have by instrument in writing duly appointed as their proxies.



### **13.10 Persons Entitled to Attend Meetings**

The Corporation, by its respective officers, directors and employees, the auditors of the Corporation and the legal advisers of the Corporation or of any Holders may attend any meeting of the Holders, but shall have no vote as such.

### **13.11 Powers Exercisable by Extraordinary Resolution**

In addition to the powers conferred upon them by any other provisions of this Debenture or by law, a meeting of the Holders shall have the following powers exercisable from time to time by Extraordinary Resolution:

- (a) to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;
- (b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Holders against the Corporation, or against its property, whether such rights arise under this Debenture or otherwise;
- (c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Debenture which shall be agreed to by the Corporation and to concur in and execute any debenture supplemental hereto embodying any modification, change, addition or omission;
- (d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof;
- (e) power to waive any default hereunder either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (f) power to restrain any Holder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;
- (g) power to direct any Holder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted hereunder, of the costs, charges and expenses reasonably and properly incurred by such Holder in connection therewith;
- (h) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- (i) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise on behalf of the Holders, such of the powers of the Holders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Holders. Every such committee



may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Holders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

- (j) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;
- (k) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 13.11(j); and
- (l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Holders or by any committee appointed pursuant to Section 13.11(i).

#### **13.12           Meaning of "Extraordinary Resolution"**

- (a) The expression "**Extraordinary Resolution**" when used in this Debenture means, subject as hereinafter in this Article 13 provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Holders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article 13 at which the holders of not less than 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.
- (b) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

#### **13.13           Powers Cumulative**

Any one or more of the powers in this Debenture stated to be exercisable by the Holders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Holders to exercise the same or any other such power or powers thereafter from time to time.

#### **13.14           Minutes**

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Holders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

### **13.15 Instruments in Writing**

All actions which may be taken and all powers that may be exercised by the Holders at a meeting held as hereinbefore in this Article 13 provided may also be taken and exercised by the holders of 66 ⅔% of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression "Extraordinary Resolution" when used in this Debenture shall include an instrument so signed.

### **13.16 Binding Effect of Resolutions**

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 13 at a meeting of Holders shall be binding upon all the Holders, whether present at or absent from such meeting, and every instrument in writing signed by Holders in accordance with Section 13.15 shall be binding upon all the Holders, whether signatories thereto or not, and each and every Holder shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

### **13.17 Evidence of Rights of Holders**

Any request, direction, notice, consent or other instrument that this Debenture may require or permit to be signed or executed by the Holders may be in any number of concurrent instruments of similar tenor signed or executed by such Holders.

## **ARTICLE 14 NOTICES**

### **14.1 Notice to Corporation**

Any notice to the Corporation under the provisions of this Debenture shall be valid and effective if delivered to the Corporation at: Suite 1000, 734 – 7th Avenue S.W., Calgary, T2P 3P8, Attention: Chief Executive Officer, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Holder in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Debenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 14.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 14.1.

### **14.2 Notice to Holder**

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if delivered to the Holder at its principal office in the City of Edmonton, at the following address: 1100 - 10830 Jasper Avenue, Edmonton, Alberta T5J 2B3, Attention: Darren Baccus, Email: darren.baccus@aimco.alberta.ca or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Holder may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice shall be the address of the Holder to receive notices from the Corporation.

### **14.3 Mail Service Interruption**

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holder would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 14.2, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 14.2.

## **ARTICLE 15 CONFIDENTIALITY**

### **15.1 Confidentiality**

The Holder shall not use (other than for purposes of its investment in and holding of Debentures and Common Shares and its rights pursuant to this Debenture) or disclose to any Person, directly or indirectly, any Confidential Information at any time hereafter provided, however, that nothing in this Section 15.1 shall preclude the Holder from disclosing or using Confidential Information if: (a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Debenture; or (b) disclosure is required to be made by any law, regulation, governmental body or authority or by court order or under the rules of an applicable stock exchange and the Holder has, to the extent allowed, provided the Corporation with prompt notice of such requirement or request so that the Corporation may seek an appropriate protection order, or waive compliance with any of the provisions hereof, or both. If, in the absence of either a protective order or a waiver by the Corporation, the Holder, in the reasonable opinion of its legal counsel, is required by law, securities regulation or policy to disclose any Confidential Information, the Holder may, without liability hereunder disclose that portion, and only that portion, of the Confidential Information that the Holder is required so to disclose and the Holder will exercise its reasonable efforts in such event to obtain reliable assurance that the Confidential Information will be accorded confidential treatment.

The Holder acknowledges and agrees that the obligations under this Section 15.1 are to remain in effect for a period of two (2) years from the date on which the terms and conditions in Section 7.4 are no longer binding upon the Corporation pursuant to Section 10.4.

## **ARTICLE 16 AMENDMENT AND RESTATEMENT**

This Debenture amends and restates the amended and restated debenture dated June 11, 2014 in the principal amount of \$22,000,000 issued by the Corporation to the Holder (the "**Prior Debenture**"). Concurrently with the issuance of this Debenture, the Holder shall surrender the Prior Debenture to the Corporation for cancellation.

## EXHIBIT "A"

### REPRESENTATIONS AND WARRANTIES

For the purposes of this Exhibit "A", the following terms shall have the meanings set forth below:

**"2013 Financial Information"** means, collectively, the unaudited consolidated income statement of the Corporation for the period from January 1, 2013 to October 31, 2013 and the account balance confirmation of the Corporation as at October 31, 2013, each as set forth in Exhibit "F";

**"Financial Statements"** means the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the report of the auditors thereon;

**"GLJ"** means GLJ Petroleum Consultants Ltd.; and

**"GLJ Report"** means the independent engineering evaluation of the bitumen reserves and contingent resources attributable to the Oil Sand Leases prepared by GLJ effective November 30, 2013 and dated December 19, 2013.

The Corporation hereby represents and warrants to the Holder as follows and acknowledges that the Holder is relying upon the following representations and warranties:

- (i) each of the Corporation and its Subsidiaries has been duly incorporated, amalgamated or formed (as the case may be) and organized and is valid and subsisting under the laws of the jurisdiction of its incorporation, amalgamation or formation (as the case may be) and has all requisite corporate or partnership capacity, power and authority, as applicable, to carry on its business as now conducted and to own, lease and operate its properties and assets;
- (ii) the Corporation does not have any Subsidiaries other than KemeX Ltd., Kemex Technologies Ltd., Oak Point Consulting Ltd., Kengimex Ltd. and 1<sup>st</sup>Site Technologies Ltd., and the Corporation is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the *Business Corporations Act* (Alberta)), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships;
- (iii) each of the Corporation and its Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
- (iv) each of the Corporation and its Subsidiaries has conducted its business in compliance in all material respects with all Applicable Laws and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of the Corporation and its Subsidiaries, as the case may be, as now conducted (except where the failure to so conduct its business or to hold such licences, registration or qualifications would not, individually or in the aggregate, have a Material Adverse Effect), all such licences, registrations or qualifications are valid and existing and in good standing (except where such lack of good standing would not have a Material Adverse Effect) and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have a Material Adverse Effect and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation

anticipates the Corporation or its Subsidiaries will be unable to comply with without constituting a Material Adverse Effect;

- (v) all of the issued and outstanding securities of the Corporation's Subsidiaries are validly issued as fully paid and non-assessable, the Corporation is, directly or indirectly, the registered and beneficial holder of all such issued and outstanding securities and holds such common shares with valid and marketable title to the securities free and clear of any liens, pledges, charges, encumbrances, security interests or other adverse claims whatsoever (other than bank security) and no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of its Subsidiaries or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued shares, securities (including convertible securities) or warrants of its Subsidiaries; and the Corporation has no material shareholdings in any other corporation, partnership or business organization;
- (vi) the minute books of each of the Corporation and its Subsidiaries contain full, true and correct copies of the constating documents of the Corporation and its Subsidiaries, as applicable, and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors, shareholders or partners, as the case may be, of the Corporation and its Subsidiaries, respectively, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;
- (vii) the books of account and other records of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices and the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded as necessary to facilitate preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets;
- (viii) since December 31, 2012, the Corporation has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction which is or may reasonably be expected to be material to the Corporation and which is not in the ordinary course of business;
- (ix) the Corporation and its Subsidiaries have duly and on a timely basis filed all tax returns due and required to be filed, have paid all taxes due and payable and have paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or its Subsidiaries and, to the best of the knowledge, information and belief of the Corporation, there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or its Subsidiaries, in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;
- (x) the Corporation is not aware of any material contingent tax liability of the Corporation or any grounds which will prompt a reassessment which would result in a material tax liability;

- (xi) the Corporation has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employee, officer, director, or non-resident person, the amount of all taxes and other deductions required by applicable law to be withheld and has duly and timely remitted the withheld amount to the appropriate taxing or other authority and has duly and timely issued tax reporting slips or returns in respect of any amount so paid or credited by it as required by Applicable Law;
- (xii) all filings made by the Corporation and its Subsidiaries under which the Corporation or its Subsidiaries has received or is entitled to government incentives, have been made in accordance, in all material respects, with all Applicable Laws and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or its Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;
- (xiii) except to the extent that any violation or other matter referred to in this subsection does not have a Material Adverse Effect (and, in respect of non-operated properties, to the knowledge, information and belief of the Corporation):
  - A. neither the Corporation nor its Subsidiaries are in violation of any Environmental Laws;
  - B. each of the Corporation and its Subsidiaries have operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - C. there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or its Subsidiaries that have not been remedied;
  - D. no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or its Subsidiaries;
  - E. neither the Corporation nor its Subsidiaries have failed to report to the proper federal, provincial, state, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law;
  - F. each of the Corporation and its Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their business and the ownership and use of their assets, all such licences, permits and approvals are in full force and effect, and except for: (A) notifications and conditions of general application to assets of the type owned by the Corporation and its Subsidiaries; and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), and neither the Corporation nor its Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and

- G. neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies thereof) have received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;
- (xiv) any and all operations of the Corporation and its Subsidiaries, and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation and its Subsidiaries, have been conducted in accordance with good oil and gas industry practices and in material compliance with Applicable Laws;
  - (xv) in respect of the assets and properties of the Corporation and its Subsidiaries that are operated by it, if any, each of the Corporation and its Subsidiaries hold all valid licences, permits and similar rights and privileges that are required and necessary under Applicable Laws to operate the assets and properties of the Corporation and its Subsidiaries, as the case may be, as presently operated except where to hold all valid licences, permits and similar rights would not have a Material Adverse Effect;
  - (xvi) the Corporation has full corporate capacity, power and authority to enter into the Transaction Documents and to perform its obligations set out herein and therein (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), and the Transaction Documents have been duly authorized, executed and delivered by the Corporation and the Transaction Documents are legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by Applicable Law;
  - (xvii) no action, approval, consent or vote on the part of the shareholders of the Corporation is or shall be necessary to consummate the transactions contemplated by the Transaction Documents;
  - (xviii) this Debenture has been duly and validly issued as fully paid and non-assessable;
  - (xix) the Corporation has full power and authority to issue the Common Shares issuable upon conversion, redemption or maturity of this Debenture and upon issuance thereof in accordance with this Debenture, such Common Shares will, at the time of issue, be duly allotted, validly issued and outstanding as fully paid and non-assessable;
  - (xx) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of the Transaction Documents by the Corporation or any of the transactions contemplated hereby or thereby (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the articles, by-laws or constating documents of the Corporation or its Subsidiaries, as applicable, (ii) any resolutions of shareholders or directors (or any committee thereof), as the case may be, of the Corporation or its Subsidiaries, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or its Subsidiaries is a party or by which it is bound, or (iv) any Applicable Law, which default or breach might reasonably be expected to have a Material Adverse Effect; and to the best of the knowledge of the Corporation, no event exists which would constitute an Event of Default or which, with the passage of time, giving of notice or both, would constitute an Event of Default;



(xxi) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or its Subsidiaries from the position set forth in the Financial Statements and there has not been any Material Adverse Effect since December 31, 2012; since that date there have been no material facts, transactions, events or occurrences which could constitute a Material Adverse Effect or transactions outside the ordinary course of business and, without limitation, since December 2012 there has been no material change with respect to the financial position of the Corporation (as represented in the Financial Statements) regarding:

- A. "cash and cash equivalents", which at October 31, 2013 was \$2,069,574, with reductions since October 31, 2013 for ordinary course general and administrative expenses;
- B. "exploration and evaluation assets", subject only to amortization in accordance with the Tax Act and regulations thereunder;
- C. "plant property and equipment", subject to amortization in accordance with the Tax Act and regulations thereunder;
- D. "intangible assets", subject to amortization in accordance with the Tax Act and regulations thereunder; and
- E. "liabilities", which are estimated to be at October 31, 2013 at \$240,300, and subject to additions since that time in the ordinary course of business; and

there have been no dividends declared by the Corporation; and no impairment has occurred to "exploration and evaluation assets", property plant and equipment" or "intangible assets" of the Corporation from the December 31, 2012 balances noted in the Financial Statements;

(xxii) the Financial Statements fairly present, in accordance with International Financial Reporting Standards, consistently applied, the consolidated financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and, if applicable, its Subsidiaries (taken as a whole) as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and, if applicable, its Subsidiaries as at the dates thereof required to be disclosed by International Financial Reporting Standards. The Corporation represents that the 2013 Financial Information is accurate and complete with no omissions of material facts, transactions, events or occurrences which could constitute a Material Adverse Effect;

(xxiii) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of this Debenture, except such as may be required by Applicable Securities Legislation;

(xxiv) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation or its Subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way could constitute a Material Adverse Effect and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

(xxv) the authorized capital of the Corporation consists of an unlimited number of Common Shares of which 86,411,769 Common Shares are issued and outstanding as at the date hereof, each of which shares is validly issued, fully paid and non-assessable;



- (xxvi) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (A) 3,420,000 Common Shares subject to options granted by the Corporation pursuant to its stock option plan; and (B) the 2012 Debentures;
- (xxvii) other than as disclosed in writing by the Corporation to the Holder, none of the directors, officers or employees of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation;
- (xxviii) other than as disclosed in writing by the Corporation to the Holder, no officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any associate or affiliate of any such persons, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the Corporation's properties or assets or any revenue or rights attributed thereto;
- (xxix) to the knowledge of the Corporation, none of the Corporation or its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangement in respect of outstanding securities of the Corporation;
- (xxx) no securities commission or similar regulatory authority in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Legislation;
- (xxxi) the Corporation is not a "reporting issuer" within the meaning of Applicable Securities Legislation;
- (xxxii) to the knowledge of the Corporation, no insider of the Corporation has advised the senior officers of the Corporation of their present intention to sell any securities of the Corporation;
- (xxxiii) the form and terms of definitive certificates representing the Common Shares have been, duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;
- (xxxiv) the Corporation has made available to GLJ, prior to the issuance of the GLJ Report, for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, the Corporation has no knowledge of a material adverse change in any production, cost, reserves or other relevant information provided to GLJ since the dates that such information was so provided. The Corporation believes that the GLJ Report reasonably presents: (A) the quantity and pre-tax present worth values of the bitumen reserves attributable to the Oil Sand Leases; and (B) the quantity of the contingent resources attributable to the Oil Sands Leases, in each case, based upon information available at the time the GLJ Report was prepared, and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to changes in commodity prices since the date of the GLJ Report does not) overstate the aggregate quantity or pre-tax present worth

values of such reserves, the estimated monthly production volumes therefrom, or the aggregate quantity of such contingent resources;

- (xxxv) the GLJ Report has not been amended, supplemented or superceded;
- (xxxvi) although it does not warrant title, the Corporation does not have reason to believe that the Corporation or its Subsidiaries do not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the “**Interest**”) and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation or Subsidiaries except as those arising in the ordinary course of business or pursuant to the 2012 Debentures, and that, to the knowledge of the Corporation, each of the Corporation and Subsidiaries holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a Material Adverse Effect;
- (xxxvii) the Corporation is not aware of any defects, failures or impairments in the title of any of the Corporation or Subsidiaries to its crude oil, natural gas liquids, natural gas and bitumen properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which, in aggregate, could have a material adverse effect on: (A) the quantity and pre-tax present worth values of bitumen reserves attributable to the Oil Sand Leases; or (B) the quantity of contingent resources attributable to the Oil Sand Leases;
- (xxxviii) other than as disclosed in the Financial Statements, the Corporation has not completed any “significant acquisition” (as such term is defined in National Instrument 51-102, *Continuous Disclosure Obligations*) and, the Corporation is not proposing any “proposed acquisition” (as such term is used in Item 10 of Form 44-101F1 to NI 44-101);
- (xxxix) to the knowledge of the Corporation, Deloitte LLP are independent chartered accountants with respect to the Corporation;
- (xl) there has not been any “reportable event” (within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations*) with the present or any former auditor of the Corporation;
- (xli) neither the Corporation nor its Subsidiaries is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation or its Subsidiaries and Applicable Laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person (other than the Corporation and/or its Subsidiaries);
- (xlii) other than pursuant to the 2012 Debentures, neither the Corporation nor its Subsidiaries has any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm’s length with the Corporation or its Subsidiaries that are currently outstanding;
- (xliii) each of the Corporation and its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring the Corporation and its Subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not constitute a Material Adverse Effect;

- (xliv) other than as disclosed in writing by the Corporation to the Holder, there are no material contracts or agreements to which the Corporation or its Subsidiaries is a party or by which it is bound and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation or its Subsidiaries, as the case may be, enforceable in accordance with their respective terms and, to the knowledge of the Corporation, no party thereto is in default thereunder. For the purposes of this paragraph, any contract or agreement pursuant to which the Corporation or its Subsidiaries will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$500,000, in either case in the next 12 months, or is out of the ordinary course of business of either the Corporation or its Subsidiaries, shall be considered to be material;
- (xlv) other than as disclosed in writing by the Corporation to the Holder, neither the Corporation nor its Subsidiaries is a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;
- (xlvi) neither the Corporation nor its Subsidiaries have any entered into any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);
- (xlvii) to the best of the Corporation's knowledge, all accounts receivable in any material amount of the Corporation are deemed collectible;
- (xlviii) neither the Corporation nor, to the knowledge of the Corporation, any officer, director, employee or agent of the Corporation has, directly or indirectly (a) paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any broker, finder, agent, client representative, employee, political party or campaign, government official or other person, which any officer, director, employee or agent of the Corporation knew or had reason to believe, or ought to have known, was in violation of the *Corruption of Foreign Public Officials Act* (Canada), the *United States Foreign Corrupt Practices Act of 1977*, as amended, or any applicable law implementing the provisions of the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); or (b) made or received an unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment;
- (xlix) the Corporation has not been, nor to the knowledge of the Corporation, has any director, officer, agent, employee, affiliate or person acting on behalf of the Corporation been or is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department ("OFAC"); and the Corporation will not directly or indirectly use any proceeds of the distribution of this Debenture, or lend, contribute or otherwise make available such proceeds to the Corporation or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person targeted by any of the sanctions of the United States administered by OFAC;
- (l) the operations of the Corporation are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority

(collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-governmental authority involving the Corporation with respect to the Money Laundering Laws is, to the best knowledge of the Corporation, pending or threatened;

- (li) the Corporation and its Subsidiaries have, all proprietary rights provided in law to all patents, trademarks, copyrights, industrial designs, software, firmware, trade secrets, know-how, show-how, concepts, information and other intellectual and industrial property (collectively, “**Intellectual Property**”) necessary to permit each to conduct its business as it is currently conducted except where the failure to have such rights would not have a Material Adverse Effect. All such Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit “E”, is free and clear of any encumbrances which would have a Material Adverse Effect on the Corporation and neither the Corporation nor its Subsidiaries has knowledge of any claim of adverse ownership in respect thereof except where the failure to own or have such right of use would not have a Material Adverse Effect. Neither the Corporation nor any of its Subsidiaries license for use any Intellectual Property, the loss of which would have a Material Adverse Effect on it;
- (lii) to the knowledge of the Corporation, none of the use by it or its Subsidiaries of the Intellectual Property necessary to permit each to conduct its business as it is currently conducted, including for certainty that Intellectual Property set forth in Exhibit “E”, all applications therefor or the conduct of the business of each it and its Subsidiaries infringes upon, misappropriates or breaches the industrial or intellectual property rights of any other person;
- (liii) the Corporation has disclosed to the Holder a complete and accurate list of all registrations, and applications for registration, of Intellectual Property owned by the Corporation and its Subsidiaries (“**Registered Intellectual Property**”) in Exhibit “E”. The Corporation or its Subsidiaries hold the entire right, title and interest in and to all of the Registered Intellectual Property and have the exclusive and unfettered right to make, use and sell the Registered Intellectual Property to the extent of the rights granted therein. Neither the Corporation nor its Subsidiaries has knowledge of any invalidity or unenforceability of the Registered Intellectual Property. None of the Intellectual Property owned by the Corporation (“**Owned Intellectual Property**”) has been licensed to another entity other than in the ordinary course of business;
- (liv) all of the Owned Intellectual Property is identified in Exhibit “E”;
- (lv) the employees or individual contractors who originally contributed to the development of the Owned Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit “E”, have (i) assigned all of their rights therein to Corporation, and (ii) waived their moral rights (if any) in the Owned Intellectual Property except as would not have a Material Adverse Effect; and
- (lvi) neither the Corporation nor any of its Subsidiaries has commenced legal proceedings against any Person relating to infringement, misappropriation or breach by such Person of any Intellectual Property owned by the Corporation or such Subsidiary, including for certainty that Intellectual Property set forth in Exhibit “E”.

**EXHIBIT "B"**

**CONVERSION NOTICE**

TO: OAK POINT ENERGY LTD.

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 15.0% Senior Secured Redeemable Convertible Debenture irrevocably elects to convert this Debenture (or \$ \_\_\_\_\_ principal amount thereof\*) in accordance with the terms of this Debenture and tenders herewith this Debenture, and, if applicable, directs that the Common Shares of Oak Point Energy Ltd. issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Registered Holder)

\* If less than the full principal amount of this Debenture, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a Canadian Schedule 1 chartered bank, a major Canadian trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: \_\_\_\_\_

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, Province and Postal Code)

Name of guarantor: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

## EXHIBIT "C"

### REDEMPTION NOTICE

To: The Holder of 15.0% Senior Secured Redeemable Convertible Debenture (the "**Debenture**") of Oak Point Energy Ltd. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the Debenture that the aggregate principal amount of \$• of the \$• of Debenture outstanding will be redeemed as of • (the "**Redemption Date**"), upon payment of a redemption amount of \$[•] for each \$1,000 principal amount of the Debenture, being equal to the aggregate of (i) \$• (the "**Redemption Price**"), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the "**Total Redemption Price**").

The Total Redemption Price will be payable upon presentation and surrender of this Debenture called for redemption at the following office of the Holder set out in the Debenture.

The interest upon the principal amount of Debenture called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of this Debenture at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Debenture.

DATED:

**OAK POINT ENERGY LTD.**

---

(Authorized Director or Officer)

**EXHIBIT "D"**  
**OIL SANDS LEASES**

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
<b>(a) Lewis Lands</b>			
<p>Twp 92 Rge 7 W4M: Sec 27 &amp; 34 Twp 93 Rge 7 W4M: Sec 3 &amp; 4</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407050728</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<p>Twp 93 Rge 7 W4M: Sec 1</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407100672</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<b>(b) Lewis SW Lands</b>			
<p>Twp 91 Rge 8 W4M: Sec 10 &amp; 15</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407100671</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<b>(c) Great Divide West Lands</b>			
<p>Twp 82 Rge 14 W4M: Sec 6</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407010528</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<p>Twp 82 Rge 14 W4M: Sec 7</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407010529</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
Twp 82 Rge 14 W4M: Sec 23  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110500	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 33  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110502	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 14  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110499	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 15 W4M: Sec 1  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407010530	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(d) Chelsea River Lands</b>			
Twp 95 Rge 15 W4M: Sec 4 & 9  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406090454	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(e) Duncan Lands</b>			
Twp 75 Rge 16 W4M: Sec 27  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010274	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 75 Rge 16 W4M: Sec 35  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010275	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.



**EXHIBIT “E”**  
**INTELLECTUAL PROPERTY**

# INSite/KEMEX Patent Applications

<i>Title</i>	<i>Country</i>	<i>Application Number</i>	<i>Filing Date</i>	<i>Status<sup>3</sup></i>
Vapour Recovery Unit for Steam Assisted Gravity Drainage (SAGD)	US Provisional	61/376,298	24-Aug-10	
	US	13/074,275	29-Mar-11	Current
	Canada	2,735,069	29-Mar-11	Current
An Improved Water Recovery System SAGD System Utilizing a Flash Drum	US Provisional	61/376,300	24-Aug-10	
	US	13/074,283	29-Mar-11	Current
	Canada	2,735,061	29-Mar-11	Current
Contaminant Control System in Evaporative Water Treating System	US Provisional	61/376,301	24-Aug-10	
	US	13/074,265	29-Mar-11	Current
	Canada	2,735,097	29-Mar-11	Current
	China	201180051228-8	29-Mar-11	Current
	Colombia	13057-867	22-Mar-13	Current
	Europe	11819218-6	29-Mar-11	Current
	Kazakhstan	2013/1522-1	22-Feb-11	Current
	Madagascar	2013/8	29-Mar-11	Current
	Russia	2013107909	29-Mar-11	Current
	Oman	OM/P/2013/00039	24-Feb-11	Current
	Mexico	MX/a/2013/002224	25-Feb-13	Current
	Poland	P404140	22-Feb-13	Current
	Brazil	BR 11 2013 004388 I	25-Feb-13	Current
	Nigeria	NG/C/2013/138	29-Mar-11	Current
United Arab Emirates			P/191/2013	Current
			24-Feb-13	

Modular Mobile System for SAGD Process	Singapore	201301335-4	29-Mar-11	Current
	India	469/KOLNP/2013	22-Feb-13	Current
	Australia	2011293034	29-Mar-11	Current
Modular Mobile System for SAGD Process	US Provisional	61/437,292	28-Jan-11	
	US	13/095,318	27-Apr-11	Current
	Canada	2,738,259	27-Apr-11	Current
	China	201180066312-7	26-Jul-13	Current
	Kazakhstan	2013/1625-1	26-Aug-13	Current
	Madagascar	2013/30	27-Apr-11	Current
	Russia	2013139465	26-Aug-13	Current
	Oman	OM/P/2013/179	29-Jul-13	Current
	Mexico	MX/a/2013/008727	26-Jul-13	Current
	United Arab Emirates	818/2013	28-Jul-13	Current
	Nigeria	NG/C/2013/507	27-Apr-13	Current
	Australia	2011357584	12-Jul-13	Current
	India	5598/CHENP/2013	25-Jul-13	Current
	Singapore	201305720-3	27-Apr-13	Current
	Brazil	BR 11 2013 018814 6	23-Jul-13	Current
	Poland	P-406240	19-Jul-13	Current
Compact Evaporator for Modular SAGD Process	US Provisional	61/436,723	27-Jan-11	
	US	13/087,708	15-Apr-11	Current
	Canada	2,737,624	15-Apr-11	Current
	China	201180066313-1	15-Apr-11	Current
	Singapore	201305721-1	15-Apr-11	Current
	Kazakhstan	2013/1624-1	24-Aug-13	Current
	Russia	2013139465	26-Aug-13	Current

	Nigeria	NA <sup>1</sup>	15-Apr-11	Current
	United Arab Emirates	819/2013	28-Jul-13	Current
	Australia	2011357583	15-Apr-11	Current
	India	6002/CHENP/2013	25-Jul-13	Current
	Madagascar	2013/29	15-Apr-11	Current
	Oman	OMP/2013/00175	27-Jul-13	Current
	Mexico	MX/a/2013/008726	26-Jul-13	Current
	Poland	P406241	15-Apr-11	Current
	Brazil	BR 11 2013 018729 8	23-Jul-13	Current
Solvent Bitumen Recovery Process	US Provisional	61/691,484	21-Aug-12	Current
	US	13/971,893	21-Aug-13	Current
	PCT	PCT/CA2013/000730	21-Aug-13	Current
Gravity Separation Process	US Provisional	61/648,794	18-May-12	Abandoned
A Methodology and Preferred Software that, together, Reduce the Effort required to Write and Maintain Operating Procedures for Manufacturing Plants and Oil and Gas Facilities	US Provisional <sup>2</sup>	61/551,101	25-Oct-11	Current
	US	13/660,060	25-Oct-12	Current
	Canada	2,793,315	25-Oct-12	Current
	PCT	PCT/CA2012/000992	25-Oct-12	Current

<sup>1</sup> Filing Associate will be providing application number upon issuance.

<sup>2</sup> Note US Provisional was entitled "Object Oriented Operating Procedures". Renamed upon formalization "A Methodology and Preferred Software that together Reduce the Effort required to Write and Maintain Operating Procedures for Manufacturing Plants and Oil and Gas Facilities."

<sup>3</sup> Current means up to date in all respects.

**EXHIBIT “F”**

**2013 FINANCIAL INFORMATION**

OAK POINT ENERGY



**DRAFT**

**Consolidated Income Statement**

Periods: January 1, 2013 to October 31, 2013

**Revenue**

License, Engineering and Consulting Revenue	\$	7,000.00
Inter-Company Consulting Revenue	\$	-
Oil & Gas Revenue	\$	-
Other Income	\$	34,079.72
<b>Total Revenue</b>	<b>\$</b>	<b>41,079.72</b>

**Expenses**

Royalty Expenses	\$	-
Cost of Sales - License & Engineering Packages	\$	-
General and Administrative	\$	2,714,471.52
Finance and Interest	\$	1,279,422.14
Stock Based Compensation	\$	5,291,278.51
Income Tax	\$	(14,236.02)
Depletion, Depreciation, Amortization & Accretion	\$	9,443.64
Diluent and Blending	\$	-
Transportation	\$	-
Operating Expenses	\$	-
Research and Development Expense	\$	-
<b>Total Expenses</b>	<b>\$</b>	<b>9,280,379.79</b>
	<b>\$</b>	<b>(9,239,300.07)</b>

**The Bank of Nova Scotia**  
Calgary Business Service Centre  
P.O. Box 53069 Marlborough CRO  
Calgary, Alberta  
Canada T2A 7P1  
Tel: 1-888-855-1234  
Fax: 1-877-909-7038



Robert Nicolay, Co-President & Co-CEO  
Oak Point Energy Ltd  
1000, 734 - 7<sup>th</sup> Ave SW  
Calgary, AB T2P 3P8  
November 20, 2013

Re: Account balance confirmation

Dear Mr. Robert Nicolay:

The following is a confirmation of the balances on your accounts as of October 31<sup>st</sup>, 2013.

**Oak Point Energy Ltd**

12989 00110 10      \$1,556,933.36

12989 03673 11      \$230,537.48

**Oak Point Consulting Group Ltd**

12989 01184 19      \$14,103.96      Dormant

**Kemex Ltd**

30189 00624 13      \$10,840.25

10009 03364 16      \$256,000.00

30189 00217 17      \$1,160.66US      Dormant

Sincerely,

A handwritten signature in black ink, appearing to read 'Shannon Enes', written over a circular stamp or logo.

Shannon Enes  
Assistant Manager  
Processing & Inquiries  
Transit: 12989 & 95968  
Ph: 1-888-855-1234  
Fax: 1-877-909-7038

# Exhibit "F"

This is Exhibit "F" to the  
Affidavit of Kate Malcolm  
Sworn April 11, 2017



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Commissioner for taking affidavits



UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AFTER THE LATER OF: (A) DECEMBER 23, 2013; OR (B) THE DATE THE CORPORATION BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY

**THIRD AMENDED AND RESTATED DEBENTURE**

**\$25,000,000**

**OAK POINT ENERGY LTD.**

**(A corporation existing under the *Business Corporations Act* (Alberta))**

**15.0% SENIOR SECURED REDEEMABLE CONVERTIBLE DEBENTURE  
DUE DECEMBER 31, 2016**

OAK POINT ENERGY LTD. (the "Corporation") for value received hereby acknowledges itself indebted and promises to pay to Private Equity Oak LP (the "Holder") on December 31, 2016 (the "Maturity Date") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of this Debenture, the principal sum of Twenty-Five Million Dollars (\$25,000,000) on presentation and surrender of this Debenture at the offices of the Corporation in Calgary, Alberta and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 15.0% per annum, in like money, in arrears in quarterly instalments on December 31, March 31, June 30 and September 30 in each year commencing on December 31, 2013, and provided that following the June 30, 2015 Interest Payment Date such quarterly payments shall cease and the Corporation shall instead pay interest on the principal amount hereof at the rate of 15.0% per annum, in like money, in arrears and compounded quarterly on December 31, March 31, June 30 and September 30 in each year, in a lump sum on the Maturity Date, and provided that the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date and, should the Corporation at any time make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued on the original principal amount of \$20,000,000 from the original issuance date of this Debenture to, but excluding, December 31, 2013; the second interest payment will include interest accrued on the original principal amount of \$20,000,000 from December 31, 2013 to, but excluding, March 31, 2014; the third interest payment will include interest accrued on: (i) the original principal amount of \$20,000,000 from March 31, 2014 and (ii) the additional principal amount of \$2,000,000 from June 11, 2014, in each case to, but excluding, June 30, 2014; the fourth interest payment will include interest accrued on: (i) the principal amount of \$22,000,000 from June 30, 2014, and (ii) on the additional principal amount of \$3,000,000 from July 4, 2014, in each case to, but excluding, September 30, 2014. Interest will accrue and be payable on the full \$25,000,000 principal amount on all Interest Payment Dates after September 30, 2014 until June 30, 2015. Following the June 30, 2015 Interest Payment Date, interest will accrue and be compounded quarterly on the full \$25,000,000 principal amount and all interest so accrued from June 30, 2015 to the Maturity Date, shall be payable together with the full \$25,000,000 principal amount on the Maturity Date.

This Debenture is issued upon the terms and conditions as are set out in Schedule "A" hereto, and the terms, conditions and provisions contained in Schedule "A" are incorporated herein and constitute a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meaning ascribed to them in Schedule "A" hereto.

IN WITNESS WHEREOF OAK POINT ENERGY LTD. has caused this Debenture to be signed by its authorized representatives as of the 28<sup>th</sup> day of September, 2015.

OAK POINT ENERGY LTD.

By: 

The Holder hereby consents to the amendment and restatement of the Prior Debenture in the form of this Third Amended and Restated Debenture.

PRIVATE EQUITY OAK LP,  
By its General Partner,  
PE12PXPE (OAK) GP LTD.

By: 

Darren Baccus  
Director

## SCHEDULE "A"

The following terms and conditions are applicable to the \$25,000,000 Third Amended and Restated 15% Senior Secured Convertible Debenture, due December 31, 2016 of Oak Point Energy Ltd.:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) "1933 Act" means the United States Securities Act of 1933, as amended;
- (b) "2012 Debentures" means the \$10,000,000 aggregate principal amount of 15.0% convertible secured redeemable debentures of the Corporation issued on September 19 and October 1, 2012;
- (c) "Act" means the *Business Corporations Act* (Alberta);
- (d) "Affiliate" shall have the meaning given in the Act;
- (e) "Amendment and Restatement Date" means September 28, 2015.
- (f) "Applicable Laws" means, in relation to any Person, property, transaction or event, all applicable provisions, whether now or hereafter in effect (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of all governmental authorities (whether or not having the force of law) and all judgments, orders and decisions of all governmental authorities in which the person in question is a party or by which it is bound or having application to the person, property, transaction or event;
- (g) "Applicable Securities Legislation" means applicable securities laws in each of the Provinces of Canada;
- (h) "Board" means the board of directors of the Corporation, as constituted from time to time;
- (i) "Business Day" means any day other than a Saturday, Sunday or any other day that Canadian chartered banks are not generally open for business in Calgary, Alberta;
- (j) "Change of Control" means:
  - (i) the purchase or acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or securities convertible into or carrying the right to acquire Common Shares;
  - (ii) the sale of all or substantially all of the assets of the Corporation; or
  - (iii) the completion by the Corporation of an amalgamation, arrangement, merger or other consolidation or combination involving the Corporation such that the previous Shareholders would not beneficially own, or exercise control or direction over, voting securities of the Corporation carrying the right to cast more than 50% of the votes

attaching to all voting securities, or immediately following such an event, the directors of the Corporation immediately prior to such event do not constitute a majority of the board of directors (or equivalent) of the successor or continuing corporation or entity immediately following such event;

- (k) **"Charge"** means the Security Interests created by or intended to be created by this Debenture;
- (l) **"Collateral"** has the meaning given to that term in Section 3.1;
- (m) **"Common Shares"** means common shares of the Corporation, as such common shares are constituted on the date of execution and delivery of this Debenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redvisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 5.5, "Common Shares" shall mean the common shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;
- (n) **"Confidential Information"** means all confidential or proprietary information, intellectual property (including trade secrets) and confidential facts relating to the business and affairs of the Corporation or its Affiliates together with all analysis prepared by the Holder based upon, in whole or in part, such information;
- (o) **"Conversion Price"** means the amount of one dollar (\$1.00) for which each Common Share may be issued from time to time upon the conversion of this Debenture which are by their terms convertible in accordance with, and subject to adjustment:
  - (i) prescribed by the provisions of Article 5; and
  - (ii) by reduction to a lesser price as is equal to the price at which any treasury issuance is made by the Corporation of Common Shares or the conversion or exchange price, respectively, of securities convertible or exchangeable into Common Shares, other than a treasury issuance pursuant to existing share option plans of the Corporation, such reduction being subject to any consents or restrictions required by any stock exchange or regulatory authority then having jurisdiction over the Corporation;
- (p) **"Corporation"** means Oak Point Energy Ltd. and includes any successor to or of the Corporation which shall have complied with the provisions of Article 12;
- (q) **"Corporation's Auditors" or "Auditors of the Corporation"** means an independent firm of chartered accountants duly appointed as auditors of the Corporation;
- (r) **"Counsel"** means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Holder or retained or employed by the Corporation and acceptable to the Holder;

- (s) **"Creditor Proceedings"** means any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, plan of arrangement under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada), or similar proceedings of or with respect to the Corporation or its property or liabilities, or any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of the Corporation, or any bulk sale of assets by the Corporation, or proceedings in relation to any of the foregoing;
- (t) **"Debenture"** means this Third Amended and Restated 15.0% Senior Secured Redeemable Convertible Debenture due December 31, 2016, as amended and restated from time to time;
- (u) **"Default Rate"** has the meaning given in Section 9.1;
- (v) **"Environmental Laws"** means all Applicable Laws with respect to the environment or environmental or public health and safety matters contained in statutes, regulations, rules, ordinances, orders, judgments, approvals, notices, permits or policies, guidelines or directives having the force of law;
- (w) **"Environmental Liabilities"** means any and all indebtedness, liabilities and obligations for any Release, any environmental damage, any contamination or any other environmental problem caused or alleged to have been caused to any person, property or the environment as a result of any Release or the condition of any property or asset, whether or not caused by a breach of Applicable Laws, including all indebtedness, liabilities and obligations arising from or related to: any surface, underground, air, groundwater, or surface water contamination; restorations and reclamations; the removal of or failure to remove any foundations, structures or equipment; the cleaning up or reclamation of storage sites; any Release; violation of pollution standards; and personal injury (including sickness, disease or death) and property damage arising from the foregoing;
- (x) **"Event of Default"** has the meaning attributed thereto in Section 9.1;
- (y) **"Extraordinary Resolution"** has the meaning given in Section 13.12;
- (z) **"generally accepted accounting principles"** means generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, including applicable International Financial Reporting Standards;
- (aa) **"Holder"** or **"holder"** means Private Equity Oak LP and its successors and permitted assigns or the Person or Persons from time to time registered as the holder or holders of this Debenture pursuant to Section 6.1;
- (bb) **"Indebtedness"** means all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of a Person howsoever arising, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, including all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether such Person be bound alone or with others and whether as principal or surety, including all interest, fees, expenses, indemnities and costs;
- (cc) **"Intellectual Property"** has the meaning attributed thereto in paragraph (ii) of Exhibit "A" hereto and, for certainty includes, but is not limited to, those items described in Exhibit "E" hereto;



- (dd) **"Interest Obligation"** means the obligation of the Corporation to pay interest on this Debenture, as and when the same becomes due in accordance with the terms herein;
- (ee) **"Interest Payment Date"** means a date specified in this Debenture as the date on which an instalment of interest on this Debenture shall become due and payable;
- (ff) **"IPO"** means an initial public offering of Common Shares by way of a prospectus, registration statement or similar document where, or in connection with which, the Common Shares are to become listed and posted for trading or quoted on a recognized securities exchange;
- (gg) **"Issue Date"** means December 23, 2013;
- (hh) **"Material Adverse Effect"** means any event, circumstance, occurrence or change which could reasonably be expected to:
  - (i) impair in any material manner the ability of the Corporation to perform, any material obligation under this Debenture, any other material Transaction Document or any material contract;
  - (ii) have any material and adverse effect upon the validity or enforceability of any of the Security or upon the ranking of any of the Security Interests granted thereby or the material rights or remedies intended or purported to be granted to the Holder under or pursuant to the Security; or
  - (iii) be material and adverse to the business, operations, assets, condition (financial or otherwise) or results of operations of the Corporation and its Subsidiaries (taken as a whole);
- (ii) **"Maturity Date"** means December 31, 2016;
- (jj) **"Nominated Directors"** shall have the meaning given in Section 7.18;
- (kk) **"Obligations"** means any and all present and future Indebtedness of the Corporation to the Holder under this Debenture;
- (ll) **"Officer's Certificate"** means a certificate of the Corporation signed by any one authorized officer or director of the Corporation, on behalf of the Corporation, in his or her capacity as an officer or director of the Corporation, as the case may be, and not in his or her personal capacity;
- (mm) **"Oil Sands Leases"** means the Alberta crown oil sands leases described in Exhibit "D" and all extensions, renewals, replacements or amendments thereto;
- (nn) **"Owned Intellectual Property"** has the meaning attributed thereto in paragraph (liii) of Exhibit "A" hereto;
- (oo) **"Payment Account"** means such account as the Holder may from time to time advise the Corporation in writing;
- (pp) **"Permitted Encumbrances"** means:
  - (i) Security Interests for taxes, assessments or governmental charges not yet due or delinquent or the validity of which is being contested in good faith;

- (ii) Security Interests arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith;
- (iii) Security Interests under or pursuant to any judgment rendered or claim filed which are or will be appealed in good faith, provided any execution thereof has been stayed;
- (iv) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent;
- (v) Security Interests arising by operation of law such as builders' liens, carriers' liens, materialmens' liens and other liens of a similar nature which relate to obligations not due or delinquent;
- (vi) Security Interests incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of any of the Collateral as security in favour of any other Person which is conducting the exploration, development or operation of the property to which such Security Interests relate, provided such Security Interests relate to the costs and expenses of such exploration, development or operation, which have not at such time been filed pursuant to law and which relate to obligations not due or delinquent; and
- (vii) Security Interests granted in favour of the Holder hereunder;
- (qq) **"Person"** includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (rr) **"Redemption Date"** has the meaning attributed thereto in Section 4.2;
- (ss) **"Redemption Notice"** has the meaning attributed thereto in Section 4.2;
- (tt) **"Redemption Price"** means a price in cash equal to 125% of the principal amount of this Debenture plus accrued and unpaid interest thereon;
- (uu) **"Registered Intellectual Property"** has the meaning attributed thereto in paragraph (liii) of Exhibit "A" hereto;
- (vv) **"Release"** means any material release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leaching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface water, groundwater, rock formation or otherwise;
- (ww) **"Security"** means the Security Interest granted by the Corporation pursuant to Section 3.1 hereunder and any amendments thereto, and any and all other documents, instruments or agreements to which the Holder is granted or receives a Security Interest pursuant to the terms hereof or thereof;
- (xx) **"Security Interest"** means a mortgage, indenture, pledge, deposit by way of security, charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at

common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;

- (yy) **"Shareholder"** means a holder of Common Shares;
- (zz) **"Subsidiary"** has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (aaa) **"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;
- (bbb) **"Time of Expiry"** means the time of expiry of certain rights with respect to the conversion of this Debenture under Article 5;
- (ccc) **"Transaction Document"** means this Debenture, the Security, the subscription agreement dated the date hereof between the Holder and the Corporation and all other agreements, certificates, instruments and documents delivered by or on behalf of the Corporation in connection herewith or therewith from time to time and all future renewals, extensions or restatements, amendments, modifications or supplements to, all or any part of the foregoing; and
- (ddd) **"Written Direction of the Corporation"** means an instrument in writing signed in the name of the Corporation by any one of the Chief Executive Officer, the Chief Financial Officer, a Vice-President or the Corporate Secretary of the Corporation.

## 1.2 Meaning of "Outstanding"

This Debenture shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Corporation for cancellation, conversion or redemption for monies and/or Common Shares, as the case may be.

## 1.3 Interpretation

In this Debenture:

- (a) **"this Debenture"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this Debenture and not to any particular Article, Section, Exhibit, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (c) all references to Articles, Schedules, and Exhibits refer, unless otherwise specified, to articles of, schedules to and exhibits to this Debenture;
- (d) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Debenture; and
- (e) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them.



**1.4 Headings Etc.**

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

**1.5 Day not a Business Day**

In the event that any day on or before which any action required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

**1.6 Applicable Law**

This Debenture shall be construed 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.

**1.7 Monetary References**

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

**1.8 Invalidity**

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

**1.9 Successors and Assigns**

All covenants and agreements in this Debenture by the Corporation shall bind its successors and assigns, whether expressed or not.

**1.10 Benefits of Debenture**

Nothing in this Debenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent and the Holder, any benefit or any legal or equitable right, remedy or claim under this Debenture.

**ARTICLE 2  
INTEREST AND PAYMENTS**

**2.1 Payment of Interest**

- (a) This Debenture shall be dated as of the Issue Date and shall bear interest from such date of issue at the rate of 15.0% per annum, payable quarterly on December 31, March 31, June 30 and September 30 in each year, the first such payment to fall due on December 31, 2013 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) shall fall due on the Maturity Date, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the Default Rate, compounded annually; provided that, following the June 30, 2015 Interest Payment Date, such quarterly payments shall cease, the interest on this Debenture shall instead accrue and be compounded quarterly on December 31, March 31, June 30 and September 30 in each year, and all interest so accrued and compounded from June 30, 2015 to the Maturity Date shall be paid in a

lump sum on the Maturity Date. For certainty the first interest payment will include interest accrued on the original principal amount of \$20,000,000 from the Issue Date to, but excluding, December 31, 2013; the second interest payment will include interest accrued on the original principal amount of \$20,000,000 from December 31, 2013 to, but excluding, March 31, 2014; the third interest payment will include interest accrued on: (i) the original principal amount of \$20,000,000 from March 31, 2014, and (ii) the additional principal amount of \$2,000,000 from June 11, 2014 and, in each case to, but excluding, June 30, 2014; the fourth interest payment will include interest accrued on: (i) the principal amount of \$22,000,000 from June 30, 2014, and (ii) the additional principal amount of \$3,000,000 from the Amendment and Restatement Date, in each case to, but excluding, September 30, 2014. Interest will accrue and be payable on the full \$25,000,000 principal amount on all Interest Payment Dates after September 30, 2014 until June 30, 2015. Following the June 30, 2015 Interest Payment Date, interest will accrue and be compounded quarterly on the full \$25,000,000 principal amount and all interest so accrued from June 30, 2015 to, but excluding, the Maturity Date, shall be payable together with the full \$25,000,000 principal amount on the Maturity Date. This Debenture will mature on December 31, 2016.

- (b) Interest for any period of less than six months shall be computed on the basis of a year of 365 days. Subject to Section 2.1(a) in respect of the method for calculating the amount of interest to be paid on this Debenture on the first, second and third Interest Payment Dates in respect thereof, with respect to this Debenture, whenever interest is computed on a basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act (Canada)* by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.
- (c) As interest becomes due on this Debenture, the Corporation shall pay such interest, on each Interest Payment Date by causing to be deposited to the Payment Account an amount equal to such interest in immediately available funds.

## **2.2 Payment of Principal**

On the Maturity Date, the Corporation shall deposit to the Payment Account an amount sufficient to pay the cash amount payable in respect of this Debenture (including the principal amount together with any accrued and unpaid interest thereon) in immediately available funds.

## **2.3 Time, Place and Currency of Payment**

Payments of the principal amount payable under this Debenture and interest and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian dollars for value at or before 10:00 a.m. (Calgary time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

# **ARTICLE 3 SECURITY**

## **3.1 Grant of Security Interest**

To secure the payment, performance and satisfaction in full of each and every Obligation in respect of this Debenture, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.4) mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Holder and grants to and in favour of the Holder a continuing first priority Security Interest

in and to all of the present and after-acquired property, assets and undertaking of the Corporation, including all of the Corporation's right, title, estate and interest in and to the Oil Sands Leases, all of the Intellectual Property, and all proceeds in respect thereof (collectively, the "Collateral").

### **3.2 Attachment**

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Charge in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case, the Charge shall attach contemporaneously with the Corporation acquiring rights therein without the need for any further act, deed or consideration. The Charge shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Debenture. The Corporation acknowledges conclusively that value has been given.

### **3.3 Leases**

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Charge and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

### **3.4 Contractual Rights**

In the event the validity and effectiveness of the Charge over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Charge with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

### **3.5 Liability of the Holder**

Neither the Holder nor any receiver shall (a) be responsible or liable for any debts contracted by it, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of Applicable Law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any receiver than aforesaid.

### **3.6 Mandatory Provisions of Applicable Law**

Subject to Section 3.7, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of Applicable Law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of Applicable Law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of Applicable Law. Subject to Section 3.7, if any mandatory provision of Applicable Law shall provide for different or additional requirements than or to those specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Charge or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure of the Charge required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to mandatory provisions of Applicable Law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

### **3.7 Waivers of Applicable Laws**

To the extent not prohibited by Applicable Law, the Corporation hereby waives its rights, if any, under all provisions of Applicable Law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any notice, financing statement or any verification statement issued by any registry that confirms registration of a requisite notice or financing statement relating to this Debenture.

### **3.8 Further Assurances**

- (a) The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for better accomplishing and effectuating the purpose of this Debenture as a result of a change in Applicable Law or otherwise, including the execution and delivery of debentures or other agreements supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental debentures or other agreements under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental documents shall form part of this Debenture for all purposes.
- (b) The Corporation will ensure that this Debenture and all documents, caveats, security notices (including under and pursuant to the *Mines and Minerals Act* (Alberta)) and financing statements in respect thereof, are promptly filed and re-filed, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by Applicable Law or as may be necessary or desirable to perfect and preserve the Charge and the rights conferred or intended to be conferred upon the Holder by the Charge and will promptly provide the Holder with evidence (satisfactory to the Holder) of such filing, registration and deposit.
- (c) The Corporation agrees to deliver from time to time to the Holder any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Holder, which the Holder requests for the purpose of perfecting, confirming, or

protecting any Security Interest or other rights in any property securing any Obligations in respect of this Debenture.

- (d) The Corporation will furnish to the Holder from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.

### **3.9 Discharge; Partial Release**

- (a) Subject to the provisions of Article 10, upon the full and final payment and performance of the Obligations in respect of this Debenture, the rights hereby granted in respect of this Debenture shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the reasonable request and at the expense of the Corporation cancel and discharge the Charge in respect of this Debenture and execute and deliver to the Corporation such deeds and other instruments as shall be requisite to cancel and discharge the Charge. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or such payment must otherwise be restored, refunded, returned or reimbursed by the Holder.
- (b) No postponement or partial release or discharge of the Charge in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Charge except as therein specifically provided, or so as to release or discharge the Corporation from its liability to fully pay and satisfy the Obligations.

### **3.10 Obligations Absolute**

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Charge is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

### **3.11 Composite Mortgage**

This Debenture is a composite mortgage and security agreement covering the Collateral located in various Provinces and Territories of Canada or elsewhere and, as to portions of the Collateral located in such separate jurisdictions, this Debenture shall be a separate mortgage and security agreement enforceable against the Corporation without regard to the application of this Debenture to portions of the Collateral located in other jurisdictions. All provisions hereof shall be applicable separately to the portions of the Collateral located in each separate jurisdiction with the same effect as if a separate mortgage and security agreement with respect thereto had been executed and delivered by the Corporation to the Holder. Upon the reasonable request of the Holder, the Corporation shall prepare, execute and deliver, at its expense, a separate mortgage and security agreement covering the portion of the Collateral located in any such jurisdiction or jurisdictions, such separate mortgage and security agreement to be substantially in the form hereof except for such modifications as shall be required by the fact that such mortgage and security agreement relates only to the property of such Corporation located in such jurisdiction or jurisdictions or as may be required by the Holder in connection therewith.



## **ARTICLE 4 REDEMPTION AND PURCHASE OF DEBENTURES**

### **4.1 Applicability of Article**

The Corporation shall have the right, at its option to redeem in whole at any time before maturity, by payment of money, this Debenture at the Redemption Price and on such date and in accordance with such other provisions as shall have been determined at the time of issue and as shall have been expressed in this Debenture.

### **4.2 Notice of Redemption**

Notice of redemption in the form attached hereto as Exhibit "C" (the "**Redemption Notice**") shall be given to the Holder not more than 60 days nor less than 30 days prior to the date fixed for redemption (the "**Redemption Date**") in the manner provided in Section 14.2. Every such notice shall specify the Redemption Date, the Redemption Price and the places of payment.

### **4.3 Debenture Due on Redemption Dates**

Provided that a Redemption Notice has been provided to the Holder in accordance with Section 4.2, this Debenture so called for redemption shall thereupon be and become due and payable at the Redemption Price, together with accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in this Debenture, anything herein to the contrary notwithstanding.

### **4.4 Cancellation of Redeemed Debenture**

Upon payment of the Redemption Price and all other monies owing hereunder by the Corporation to the Holder, this Debenture shall forthwith be delivered to the Corporation and cancelled.

## **ARTICLE 5 CONVERSION OF DEBENTURE**

### **5.1 Applicability of Article**

The Holder shall have the right at such Holder's option, at any time prior to the close of business on the earlier of:

- (a) the last Business Day immediately preceding the Maturity Date; and
- (b) the last Business Day immediately preceding the date specified by the Corporation for redemption of the Debenture by notice to the Holder in accordance with Section 4.2;

(the earlier of which will be the "**Time of Expiry**" for the purposes of Article 5 in respect of this Debenture), to convert this Debenture into Common Shares, at such conversion rate or rates, and on such date or dates and in accordance with such other provisions as set forth herein. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of this Debenture at any one time may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 5.6.

## **5.2 Notice of Expiry of Conversion Privilege**

Notice of the expiry of the conversion privileges of this Debenture shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 14.2.

## **5.3 Revival of Right to Convert**

If this Debenture has been called for redemption but has not been redeemed, upon due surrender of this Debenture, provided the Time of Expiry has not passed, then the right to convert this Debenture shall revive and continue as if this Debenture had not been called for redemption.

## **5.4 Manner of Exercise of Right to Convert**

- (a) The holder of this Debenture desiring to convert this Debenture in whole or in part into Common Shares shall surrender this Debenture to the Corporation at its principal office in the City of Calgary together with a conversion notice in the form attached as Exhibit "B" or any other written notice in a form satisfactory to the Corporation, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Corporation, exercising his right to convert this Debenture in accordance with the provisions of this Article 5. Thereupon the Holder, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Corporation, shall be entitled to be entered in the books of the Corporation as at the Conversion Date (or such later date as is specified in Section 5.4(b)) as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article 5 and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 5.4(e) hereof.
- (b) For the purposes of this Article 5, this Debenture shall be deemed to be surrendered for conversion on the date (herein called the "Conversion Date") on which it is so surrendered in accordance with the provisions of this Article 5 and, in the case of this Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Corporation at one of its offices specified in Section 5.4(a); provided that if this Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the Business Day on which such register is next reopened.
- (c) Any part, being \$1,000 or an integral multiple thereof, of this Debenture in a denomination in excess of \$1,000 may be converted as provided in this Article 5 and all references in this Debenture to conversion of Debenture shall be deemed to include conversion of such part.
- (d) If only a part of this Debenture is converted, the Holder shall, upon the exercise of his right of conversion, surrender this Debenture to the Corporation, and the Corporation shall cancel the same and shall without charge forthwith deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of this Debenture so surrendered.
- (e) The Holder shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of holders of Common Shares of record on and after the Conversion Date or such later date as such holder shall become the holder

of record of such Common Shares pursuant to Section 5.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

## 5.5 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares, or (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution, the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a dividend or distribution, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, redivision or dividend, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 5.5(a) shall occur. Any such issue of Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (b) and (c) of this Section 5.5.
- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 60 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than the Conversion Price on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Conversion Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants, as the case may be.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "Spinoff Securities"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the Holder, so that the same shall be



equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of Shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of (A) the weighted average trading price of one Common Share over the 20 consecutive Trading Day period (the "Spinoff Valuation Period") commencing on and including the fifth Trading Day after the Ex-Dividend Date and (B) the product of (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of one Spinoff Security or, if no such prices are available, the fair market value of one Spinoff Security as reasonably determined by the Board (which determination shall be conclusive and made in good faith) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the weighted average trading price of one Common Share over the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that the Holder shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that the Holder would have received if this Debenture had been converted on the record date with respect to such distribution. In respect of any conversion during the Spinoff Valuation Period, references to 20 consecutive trading days shall be deemed to be replaced with such lesser number of trading days as have elapsed between the commencement of the Spinoff Valuation Period and the relevant conversion date.

- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 60 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), (iii) evidences of its indebtedness, or (iv) assets (including cash dividends or distributions) then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price on such record date, less the fair market value (as determined by an independent firm of chartered accountants acceptable to the Holder and the Corporation, which determination shall be conclusive) of such shares or rights, options or warrants or evidences or indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.
- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 5.5(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of this Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive

and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of this Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the directors of the Corporation, to give effect to or to evidence the provisions of this Section 5.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares or other securities or property to which the Holder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Holder pursuant to the provisions of this Section 5.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.1(a)(i). Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Holder shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 5.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances.

- (e) In any case in which this Section 5.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as such holder would, but for the provisions of this Section 5.5(e), have become the holder of record of such additional Common Shares pursuant to Section 5.4(b).
- (f) The adjustments provided for in this Section 5.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 5.5(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.

- (h) In the event of any question arising with respect to the adjustments provided in this Section 5.5, such question shall be conclusively determined by a firm of chartered accountants appointed by the Corporation and acceptable to the Holder (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder.
- (i) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 5.5, which in the opinion of the directors of the Corporation, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors of the Corporation, as the directors of the Corporation, in their sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.
- (j) No adjustment in the Conversion Price shall be made in respect of any event described in Sections 5.5(a), 5.5(b) or 5.5(c), other than the events described in 5.5(a)(i) or 5.5(a)(ii), if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted this Debenture prior to the effective date or record date, as the case may be, of such event.
- (k) Except as stated above in this Section 5.5, no adjustment will be made in the Conversion Price for this Debenture as a result of the issuance of Common Shares at less than the then applicable Conversion Price.

#### **5.6 No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to this Article 5. The number of whole Common Shares issuable upon conversion of this Debenture shall be computed on the basis of the aggregate principal amount to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon such conversion, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the Holder of an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

#### **5.7 Corporation to Reserve Common Shares**

The Corporation covenants with the Holder that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon conversion of this Debenture as in this Article 5 provided, and conditionally allot to Holder who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Corporation covenants with the Holder that all Common Shares that shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

#### **5.8 Cancellation of Converted Debenture**

Subject to the provisions of Section 5.4 as to conversions in part, upon conversion of this Debenture in accordance with the provision of this Article 5, this Debenture shall be forthwith delivered to and cancelled by the Corporation and no Debenture shall be issued in substitution therefore.

#### **5.9 Certificate as to Adjustment**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 5.5, deliver an Officer's Certificate



to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of chartered accountants appointed by the Corporation and acceptable to the Holder and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Holder in the manner provided in Section 14.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price; provided that, if the Corporation has given notice otherwise therein under this Section 5.9 covering all the relevant facts in respect of such event and if the Holder approves, no such notice need be given under this Section 5.9.

#### **5.10 Notice of Special Matters**

The Corporation covenants with the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder in the manner provided in Section 14.2 of its intention to fix a record date for any event referred to in Section 5.5(a), (b) or (c) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than fourteen (14) days in each case prior to such applicable record date.

### **ARTICLE 6 TRANSFER OF DEBENTURE**

#### **6.1 Register of the Debenture**

The Corporation shall keep or cause to be kept a register in which the Holder or holders shall be registered. The name and address of each holder and particulars of this Debenture held shall be entered in the register. For the purposes of this Debenture, the Corporation may treat the registered owner of this Debenture as the beneficial owner thereof for all purposes.

#### **6.2 Transfer of the Debenture**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right may not be transferred unless an exemption from the prospectus requirements under Applicable Securities Legislation is available. The Holder agrees that, unless prior written consent is obtained from the Corporation, it may only transfer the Debenture in whole and not in part. Upon the due transfer of this Debenture, the transferee shall be entitled to receive, without charge, a new certificate representing the applicable principal amount in respect of the transferee after giving effect to such transfer.

#### **6.3 U.S. Transferee**

This Debenture and the Common Shares issuable upon exercise of the Conversion Right have not been registered under the 1933 Act, or the securities laws of any state of the United States of America, and may not be transferred to a U.S. Person (as defined on Regulation S of the 1933 Act) unless this Debenture and the Common Shares issuable upon exercise of the Conversion Right have been registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available.

#### **6.4 Replacement Debenture**

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to Applicable Law, shall issue and deliver, a new debenture of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture. The Holder shall bear the cost of the issue of a replacement Debenture and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of this Debenture as shall be satisfactory to the Corporation, in its sole discretion, and the Holder may also be required to furnish an indemnity or security in amount and form satisfactory to the Corporation, in its sole discretion, and shall pay the reasonable charges of the Corporation in connection therewith.

### **ARTICLE 7 COVENANTS OF THE CORPORATION**

The Corporation hereby covenants and agrees with the Holder, that so long as this Debenture remains outstanding:

#### **7.1 To Pay Principal and Interest**

The Corporation will duly and punctually pay or cause to be paid to the Holder the principal of, premium (if any) and interest accrued on this Debenture of which it is the holder on the dates, at the places and in the manner mentioned herein.

#### **7.2 To Give Notice of Default**

The Corporation shall notify the Holder as soon as practicable after obtaining knowledge of:

- (a) any Event of Default hereunder; or
- (b) any material default under any material contract.

#### **7.3 Preservation of Existence, Status, etc.**

Subject to the express provisions hereof, the Corporation will: (a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, subject to Section 12.1; (b) carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a proper, efficient and business-like manner and in accordance with good business practices; and (c) not, without the prior written consent of the Holder, institute any Creditor Proceedings, or consent to any Creditor Proceedings that may be instituted by a third party.

#### **7.4 Provision of Financials and Other Information**

The Corporation covenants and agrees that:

- (a) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with an independent engineering report on the Corporation's properties on which operations have taken place in the past year that has been prepared by a nationally-recognized, independent engineering firm;



- (b) within 120 days following each fiscal year end, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with audited annual financial statements of the Corporation;
- (c) no later than 90 days prior to the beginning of each fiscal year, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with the Corporation's budget for the upcoming fiscal year which shall include all significant expenditures and a projected income statement and balance sheet;
- (d) within 60 days following each interim fiscal quarter, or at such other reasonable time as may be agreed with the Holder, the Corporation shall provide the Holder with unaudited interim financial statements of the Corporation;
- (e) no later than 15 days following the end of each calendar month, the Corporation shall provide the Holder with a reconciliation, in reasonable detail, of the revenues and expenditures of the Corporation in that month and year-to-date relative to the budget provided pursuant to Section 7.4(c), showing a column for the budget, a column for the actual revenues and expenditures (for each of the month and year-to-date), a column for the variance and a brief explanation of any significant variances; and
- (f) subject to compliance with applicable securities laws relating to selective disclosure, it will advise the Holder as soon as reasonably possible of any material change (actual, anticipated or threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and, if applicable, its subsidiaries; provided that if the Corporation is uncertain as to whether a material change has occurred, the Corporation shall promptly inform the Holder of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Holder as to whether the occurrence is of such nature.

#### **7.5 Keeping of Books**

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

#### **7.6 No Distributions on Common Shares if Event of Default**

The Corporation shall not declare or make any dividends, return of capital or other distribution to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

#### **7.7 No *Pari Passu* Indebtedness**

The Corporation shall not incur any Indebtedness which ranks in any respect in priority to or *pari passu* with the Obligations.

#### **7.8 Other Security Interests**

The Corporation shall not grant, create or permit to be granted or created any other Security Interest over the Collateral, except for: (a) Permitted Encumbrances; and (b) Security Interests expressly subordinated to the Security Interest granted hereunder in a manner satisfactory to the Holder.

## **7.9 Perfection of Securities Interests**

The Corporation will create, perfect and maintain in force the Security Interests created by this Debenture and will do all things necessary to ensure the Security Interests to which it is subject are effective and enforceable in the jurisdiction in which they are registered, or are to be registered, and will provide the Holder evidence satisfactory to establish compliance with this Section if and when requested to do so by the Holder.

## **7.10 Defend Title to Assets**

As long as this Debenture is outstanding, the Corporation shall maintain, protect and defend title to the Collateral, and take all such acts and steps as are necessary or advisable at any time and from time to time to maintain the Collateral in good standing.

## **7.11 Insurance**

As long as this Debenture is outstanding, the Corporation shall maintain in full force and effect such policies of insurance, including public liability and property damage insurance, in such amounts issued by insurers of recognized standing covering the Collateral as are customarily maintained by persons engaged in the same or similar business in the localities where the Collateral is located.

## **7.12 Disposition of Collateral**

As long as this Debenture is outstanding, the Corporation shall not, directly or indirectly, sell, transfer, convey or otherwise dispose, directly or indirectly, of any of the Collateral, including but not limited to the Intellectual Property identified in Exhibit "E", unless (a) it has obtained the consent of the Holder or (b) such sale, transfer, conveyance or other disposition is of inventory made in the ordinary course of business. For certainty, nothing in this Section 7.12 is intended to prohibit the Corporation, directly or indirectly, from granting licenses to or leases of the Intellectual Property in the ordinary course of business.

## **7.13 Notice**

The Corporation shall give the Holder prompt written notice and, in any event at least 15 days prior to the effective date of any such change in respect of matters set forth in (a), (b) or (c) immediately below, of each of the following changes in respect of the Corporation:

- (a) any change to its chief executive office or principal place of business or registered office;
- (b) any change to its legal name;
- (c) any change to the jurisdiction of its incorporation or formation;
- (d) any Material Adverse Effect;
- (e) any material impairment in the value of the Intellectual Property; and
- (f) any challenge to the Corporation's title to any or all of the leases comprising the Oil Sands Leases or any threatened termination or pending expiry thereof.

#### **7.14 Proceeds**

The Corporation shall use the proceeds of the original principal amount of \$20,000,000 from the issuance and sale of this Debenture to repay the 2012 Debentures to the extent such 2012 Debentures are not converted in accordance with their terms and for general working capital purposes and for project development purposes, in that order of priority. The Corporation shall use the proceeds of the additional principal amount of \$2,000,000 to cover the cost of its 2014 coring program. The Corporation shall use the proceeds of the additional principal amount of \$3,000,000 to fund the completion of the "Issued For Design" (IFD) level of detailed engineering for an UltraLite facility.

#### **7.15 No Unanimous Shareholder Agreements**

The Corporation agrees that it will not, without the prior written consent of the Holder, enter into or allow its Shareholders to enter into a unanimous shareholder agreement.

#### **7.16 Publications**

Without the prior consent of the Holder, the Corporation will not issue any press release or make any other public announcement regarding the Holder or the transactions contemplated hereby that names the Holder, except to the extent required by Applicable Law, and only after using commercial reasonable efforts to consult with the Holder as to how it should be named therein.

#### **7.17 Performance of Covenants by Holder**

If the Corporation shall fail to perform any of its covenants contained in this Debenture, the Holder may itself perform any of the covenants capable of being performed by it, but shall be under no obligation to do so. All sums so expended or advanced by the Holder shall be repayable by the Corporation to the Holder. No such performance, expenditure or advance by the Holder shall be deemed to relieve the Corporation of any default hereunder.

#### **7.18 Nominee Directors**

The Holder shall be entitled, but not obligated, to nominate directors (the "Nominated Directors") to the Board on the following basis:

- (a) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder is 10% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to appoint two (2) Nominated Directors; or
- (b) so long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder is 5% or greater but less than 10% of the issued and outstanding Common Shares, the Holder shall be entitled to appoint one (1) Nominated Director.

Upon such Nominated Director(s) being removed or resigning as a director, such vacancy shall be filled by a new Nominated Director(s) to be appointed, to the extent permitted by the Corporation's articles and by-laws and the Act, by the Holder. Any other vacancy on the Board shall be filled in accordance with the Corporation's articles and by-laws and the Act.



**7.19 Observer**

So long as: (i) the number of Common Shares held by the Holder and its Affiliates *plus* (ii) the number of Common Shares underlying this Debenture and any other convertible securities held by the Holder, is 3% or greater of the issued and outstanding Common Shares, the Holder shall be entitled to designate a Person as an observer to attend meetings of the Board and receive all materials circulated to the Board provided such Person executes a confidentiality agreement in form and substance satisfactory to the Corporation, acting reasonably.

**7.20 Approval of Non-Budgeted Expenditures**

Without the prior written approval of the Holder, the Corporation shall not incur any expenditure which is not in a budget approved by the Board of Directors of the Corporation and delivered to the Holder, or which is otherwise approved by the Board of Directors, and which exceeds \$50,000.

**7.21 Subsidiary Guarantees and Security**

Promptly upon becoming aware that any of its direct or indirect subsidiaries hold assets having a value of more than 5% of the value of the assets of the Corporation on a consolidated basis, the Corporation shall cause each such subsidiary to deliver a guarantee of the obligations of the Corporation under this Debenture, together with (a) a security agreement securing the obligations of such subsidiary under the guarantee to which it is party, and (b) such certificates, registrations, legal opinions and other documentation as the Holder may reasonably require, all in form and substance satisfactory to the Holder.

**ARTICLE 8  
REPRESENTATIONS AND WARRANTIES**

As of the Amendment and Restatement Date, the Corporation hereby represents and warrants to the Holder the representations and warranties set forth in Exhibit "A" to this Debenture. The Corporation confirms that the Holder is relying on such representations and warranties.

**ARTICLE 9  
DEFAULT**

**9.1 Events of Default**

Each of the following events constitutes, and is herein sometimes referred to as, an "Event of Default":

- (a) failure for 15 days to pay interest on this Debenture when due;
- (b) failure to pay principal or premium, if any, on this Debenture when due whether at maturity, upon redemption, by declaration or otherwise;
- (c) failure to deliver when due all cash and Common Shares or other consideration deliverable upon conversion of this Debenture, which failure continues for 15 days;
- (d) default in the payment of principal when due, upon the maturity, demand or otherwise on, or failure to make any payment or take any action that results in acceleration of, other indebtedness of the Corporation for borrowed money where the aggregate principal amount with respect to which the default or acceleration has occurred exceeds \$1,000,000 and such default or acceleration has not been rescinded or annulled or such indebtedness repaid within a period of 30 days after receipt of a notice of default, provided that if any such default or acceleration is cured,

waived, rescinded or annulled, then the Event of Default by reason thereof shall be deemed not to have occurred;

- (e) if one or more final judgments, decrees or orders, after available appeals have been exhausted, shall be awarded against the Corporation or any of its Subsidiaries for an aggregate amount in excess of \$1,000,000 and the Corporation or its Subsidiaries have not either satisfied such judgments, decrees or orders or provided security for any such judgments, decrees or orders within 20 days of such judgment, decree or order being awarded;
- (f) if any of this Debenture or any Security or any material provision of any of the foregoing shall at any time for any reason cease to be in full force and effect, be declared to be void or voidable (and the same is not forthwith effectively rectified or replaced by the Corporation) or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or the Corporation shall deny that it has any or any further liability or obligation thereunder, or at any time it shall be unlawful or impossible for them to perform any of their respective obligations under this Debenture, or the Security;
- (g) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period equal to 30 days;
- (h) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;
- (i) if the Corporation ceases to carry on business;
- (j) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 12.1 are duly observed and performed;
- (k) if, after the date of this Debenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction;
- (l) the failure to perform or observe any of the other covenants, agreements or obligations under this Debenture or any other Transaction Document for 30 days after written notice of such failure from the Holder to the Corporation or from the Corporation to the Holder; or
- (m) if any material provision of any Transaction Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or if any Charge constituted pursuant to the Transaction Documents ceases to have the priority contemplated therein.

If such an event shall occur and be continuing, the Holder may, in its discretion, subject to the provisions of Section 9.2, by notice in writing to the Corporation declare the principal of and interest on this Debenture then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Holder, and the Corporation shall forthwith pay to the Holder such principal, accrued and unpaid interest and interest at the Default Rate (as defined below) on amounts in default on this Debenture (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Corporation, the premium, if any, on this Debenture then outstanding which would have been payable upon the redemption thereof by the Corporation on the date of such declaration) and all other monies outstanding hereunder, together with subsequent interest at the Default Rate on such principal, interest and such other monies from the date of such declaration until payment is received by the Holder, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of this Debenture. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

Notwithstanding anything contained herein, this Debenture shall bear interest on the due and unpaid principal, interest and all other monies outstanding hereunder from and after the occurrence and during the continuance of an Event of Default pursuant to Section 9.1 at the rate (the "Default Rate") equal to the lower of 20% per annum or the highest rate permitted by Applicable Laws.

## **9.2 Waiver of Default**

Upon the happening of any Event of Default hereunder, the Holder of this Debenture shall have the power to waive any Event of Default. No such act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

## **9.3 Enforcement by the Holder**

If the Corporation shall fail to pay to the Holder, forthwith after the same shall have been declared to be due and payable under Section 9.1, the principal of and premium (if any) and interest on this Debenture then outstanding, together with any other amounts due hereunder, the Holder may in its discretion, proceed in its name to obtain or enforce payment of such principal of and premium (if any) and interest on this Debenture then outstanding together with any other amounts due hereunder by such proceedings authorized herein or by law or equity as the Holder shall deem expedient.

The Holder shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Holder allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.

The Holder, upon the occurrence of an Event of Default, may, in its absolute discretion, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or by deferred payment arrangement. The Holder may make any such sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof.

The Holder shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Holder.

#### **9.4 Proceeds of Realization**

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Charge or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to Applicable Laws, to the Corporation.

#### **9.5 Remedies Cumulative and Not Exclusive**

No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall be cumulative and shall be in addition to every other right, power or remedy given hereunder or now existing or hereafter to exist by law or by statute. Every right, power and remedy given to the Holder or to a receiver by this Debenture or under Applicable Laws may be exercised from time to time and as often as may be deemed expedient by the Holder or such receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the fullest extent permitted by Applicable Laws, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

#### **9.6 Immunity of Holder and Others**

The Holder hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of this Debenture or on any covenant, agreement, representation or warranty by the Corporation herein or in this Debenture contained.

#### **9.7 Judgment Against the Corporation**

The Corporation covenants and agrees with the Holder that, in case of any judicial or other proceedings to enforce the rights of the Holder, judgment may be rendered against it in favour of the Holder for any amount which may remain due in respect of this Debenture and premium (if any) and the interest thereon and any other monies owing hereunder.

#### **9.8 Receiver**

Upon the occurrence of an Event of Default, the Holder may in its absolute discretion, appoint a receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a receiver;
- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a receiver under Applicable Law;
- (d) the Holder may from time to time fix the reasonable remuneration of the receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any receiver may issue certificates (in this Section 9.8 called "Receiver's Certificates"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;
- (g) every receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such receiver and the Holder may from time to time determine what funds any receiver shall be at liberty to keep on hand with a view to the performance of its duties as such receiver.

## **9.9 Indemnity**

Without in any manner derogating from the specific nature of the Charges granted to the Holder pursuant hereto, the Corporation expressly acknowledges and agrees that the Holder has not by virtue of its acceptance of this Debenture and the Charges granted hereunder assumed care and control of, or any responsibility for, the Collateral or any party thereof, and that the Corporation remains fully responsible for ensuring that the Collateral is operated, managed and maintained in a proper and prudent manner, in accordance with good industry practice, and in accordance with all Applicable Laws



(including, without limitation, Environmental Laws). The Corporation hereby covenants with the Holder that it shall at all times hereafter keep the Holder indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, demands or claims instituted or made against the Holder, and all costs, losses, liabilities (including Environmental Liabilities), damages and expenses (including all legal fees on a solicitor and his own client, full indemnity basis) incurred by the Holder in any way relating to, arising out of, or incidental to any of the transactions contemplated by this Debenture, including, without limitation:

- (i) any failure on the part of the Corporation or any other person or entity dealing with the Collateral to observe and comply fully with all Applicable Laws, and with the lawful terms of all agreements, instruments and arrangements forming part of or relating to the Collateral, or by which the Corporation is otherwise bound, and which any of such indemnified parties suffers or incurs as a result of being the holder of the Charges granted hereunder and related rights hereunder;
- (ii) the Release of any contaminant, the threat of Release of any contaminant, or the presence of any contaminant affecting the Collateral, whether or not the same originates or emanates from the Collateral or any contiguous real property;
- (iii) any costs of removal or remedial action imposed by any person or damages from, injury to, destruction of or loss to the Collateral or any contiguous real property, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Law;
- (iv) any non-compliance by the Corporation or any predecessor in title to the Collateral under any applicable Environmental Law with respect to the Collateral;
- (v) any step taken by any person or entity to enforce compliance with or to collect or impose penalties, fines, or other sanctions provided by any Environmental Law with respect to the Collateral;
- (vi) liability for personal injury or property damages arising under any statutory or common law tort theory, including without limitation, third party, consequential and indirect damages and damages assessed for the maintenance of a public or private nuisance or for the carrying on of the dangerous activity at any or near any Collateral;
- (vii) all environmental, health, reclamation and clean-up costs and obligations associated with or pertaining to the abandonment or reclamation of the Collateral, including any facilities, buildings, fixtures or equipment located thereon; and
- (viii) any obligation or liability arising directly or indirectly from the provision by any of such indemnified parties directly or indirectly of any funds to the Corporation as a result of which any contingent exposure to any of the foregoing liabilities listed in paragraphs (i) through (vii) above may arise, or as a result of taking or being granted any Charges granted hereunder or effecting any realization of, against or upon any of such indemnified parties or any of the Collateral.

If and for so long as no Event of Default has occurred and is continuing, the Corporation, at its option, shall be entitled to conduct the defense of such suit, action or proceeding with the participation of and taking into account the best interests of the Holder. If the Holder shall determine in good faith that the defense of any such suit, action or proceeding is not being conducted in its best interests, the Holder, shall on notice to the Corporation (and for the account of the Corporation) be entitled to take over the sole conduct of the defense of such suit, action or proceeding. This indemnity shall extend to the officers,

directors, employees, agents, shareholders and assignees of the Holder and it shall survive repayment or cancellation of the Obligations secured hereby and the discharge or release of the Charges provided hereunder or otherwise.

#### **9.10 Possession**

The Corporation shall, on demand by the Holder or any receiver following the occurrence of an Event of Default, yield up possession of the Collateral or any part thereof as demanded by the Holder and put no obstacle in the way of, but facilitate by all legal means, the actions of the Holder or any receiver and not interfere with the carrying out of the powers hereby granted to the Holder or any receiver.

#### **9.11 Information**

All statements, reports, certificates, opinions and other documents or information required to be furnished to the Holder by the Corporation under this Debenture shall be supplied by the Corporation without cost to the Holder. If the Corporation fails to pay any amounts required to be paid by it under this Debenture or if the Corporation fails to observe or perform any of the covenants and obligations set forth in this Debenture to be observed or performed by it, the Holder and any receiver may, but shall be under no obligation to, pay such amounts or do such act or things as may be required to ensure such observance and performance, without waiving any of its rights under this Debenture. No such payment, act or thing by the Holder or any receiver shall relieve the Corporation from any default under this Debenture or the consequences of such default. The reasonable expenses (including the cost of any insurance and payment of taxes or other charges and legal fees and expenses on a solicitor and his own client, full indemnity, basis) paid by the Holder or any receiver shall be deemed advanced to the Corporation by the Holder or such receiver, shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum. In addition, the Corporation shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client, full indemnity, basis) incurred by the Holder, or any receiver in connection with the preparation, negotiation of terms, perfection, execution, protection, enforcement of and advice with respect to this Debenture (including the realization, disposition, retention, protection or collection of the Collateral or Security or any part thereof and the protection and enforcement of the rights of the Holder, and any receiver hereunder together with all remuneration paid to a receiver and all costs, charges and expenses of or incidental to any receivership) and such expenses shall become part of the Obligations, and shall, from the time they are paid by the Holder or such receiver until repaid by the Corporation, bear interest at a rate of 15.0% per annum.

#### **9.12 Power of Attorney**

The Corporation hereby irrevocably constitutes and appoints the Holder 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 Corporation and in the name of the Corporation or in its own name, from time to time in the Holder's discretion, for the purpose of carrying out the terms of this Debenture, to take any and all appropriate action and to execute any and all documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Debenture and which the Corporation being required to take or execute has failed to take or execute provided that this power of attorney shall not be effective until the Charge becomes enforceable. The Corporation hereby ratifies all that said attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and will be irrevocable until the Obligations have been unconditionally and irrevocably paid and performed in full. The Corporation also authorizes the Holder, at any time and from time to time, to execute any endorsements, assignments or

other instruments of conveyance or transfer with respect to the Collateral in connection with the sale provided for in Section 9.3.

## **ARTICLE 10 SATISFACTION AND DISCHARGE**

### **10.1 Cancellation and Destruction**

This Debenture shall forthwith after payment of all obligations hereunder, be delivered to the Corporation for cancellation and shall be destroyed by the Corporation.

### **10.2 Discharge**

The Holder shall at the written request of the Corporation release and discharge this Debenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Holder and the other beneficiaries under Section 9.9 and the survival provisions set forth in Section 10.4), upon satisfaction or payment of the principal and premium (if any) of and interest (including interest on amounts in default, if any), on this Debenture and all other monies payable hereunder or that this Debenture having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on this Debenture and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

### **10.3 Satisfaction**

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged this Debenture and the Holder, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of this Debenture, when the Corporation has deposited or caused to be deposited with the Holder for the purpose of making payment on this Debenture, an amount in money sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest, if any, to maturity or any repayment date or Redemption Dates, as the case may be, of this Debenture, and the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Holder for the payment of all other sums payable with respect to all of this Debenture (together with all applicable expenses of the Holder in connection with the payment of this Debenture).
- (b) Upon the satisfaction of the conditions set forth in this Section 10.3, the terms and conditions of this Debenture, including the terms and conditions with respect thereto set forth in this Debenture (other than those contained in Article 2 and Article 4 and the provisions of Article 1 pertaining to Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

### **10.4 Survival**

Notwithstanding anything to the contrary in this Debenture, including without limitation Sections 10.2 and 10.3, subsequent to conversion of the Debenture and for so long as the Holder and its Affiliates collectively beneficially own not less than ten percent (10%) of the issued and outstanding Common Shares of the Corporation, the terms and conditions contained in Sections 7.2(b), 7.3, 7.4, 7.5, 7.10, 7.11, 7.12 and 7.16 shall survive and continue to be binding upon the Corporation. Additionally, subsequent to conversion of the Debenture and for so long as the Holder beneficially owns any Common Shares of the Corporation, the terms and conditions contained in Section 7.18 and 7.19 shall survive and continue to be binding upon the Corporation except that all references to "10%" in Section 7.18 shall be read as "15%" subsequent to conversion.



The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for the better accomplishing and effectuating the purpose of this Section 10.4.

## **ARTICLE 11 PRE-EMPTIVE RIGHT TO ISSUANCES**

### **11.1 Pre-emptive Right to Treasury Issuances**

From the period commencing on the date hereof and expiring on the Maturity Date, any Common Shares, securities convertible into Common Shares, or securities carrying voting rights ("Securities") to be issued by the Corporation, other than those to be issued pursuant to: (i) the 2012 Debentures; and (ii) the Corporation's share option plan and other ordinary course employment benefit plan, shall be first offered by the Corporation to the Holder (on behalf of the Holder and its Affiliates) immediately after a subscription price is determined or fixed by the Board. If the Holder or its Affiliates do not agree to take up any of such offered Securities within 30 days after receipt of such offer, such Securities, or remaining Securities that the Holder has not agreed to acquire, may be issued to any Person at a price not less than the aforesaid subscription price at any time during the 30 days commencing on the earlier of: (a) the date which the Holder advises the Corporation in writing that it and its Affiliates either (i) will not take up such Securities; or (ii) take up all or a portion of the Securities; or (b) the expiry of the aforesaid 30 day period during which the Holder or its Affiliates may agree to take up such Securities, without notice having been provided by the Holder to the Corporation.

The completion of the purchase of the Securities by the Holder, shall, if applicable, occur concurrently with the purchase and sale of Securities by any other Person and shall occur no earlier than the 10th Business Day after the expiry of the 30 day period referred to above. The process for the completion of the purchase and sale shall be agreed to by the Corporation and the Holder, each acting reasonably and in good faith.

## **ARTICLE 12 SUCCESSORS**

### **12.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.**

The Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a "Successor") whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:
  - (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Debenture;
  - (ii) this Debenture will be valid and binding obligations of the Successor entitling the Holder thereof, as against the Successor, to all the rights of Holder under this Debenture; and
  - (iii) in the case of an entity organized otherwise than under the laws of the Province of Alberta, shall attorn to the jurisdiction of the courts of the Province of Alberta; and

- (b) such transaction, in the opinion of Counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Holder hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

## **12.2 Vesting of Powers in Successor**

Whenever the conditions of Section 12.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Debenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Debenture forthwith upon the Corporation delivering to the Holder an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the Successor. The Holder will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

## **ARTICLE 13 MEETINGS OF HOLDERS**

### **13.1 Right to Convene Meeting**

The Corporation may at any time and from time to time, and the Corporation shall, on receipt of a written request signed by the Holders of not less than 25% of the principal amount of the Debentures then outstanding convene a meeting of the Holders. In the event of the Corporation failing, within 30 days after receipt of any such request, to give notice convening a meeting, such Holders may convene such meeting. Every such meeting shall be held in the City of Calgary or at such other place as may be approved or determined by the Corporation or the Holders, as applicable.

### **13.2 Notice of Meetings**

At least 21 days' notice of any meeting shall be given to the Holders in the manner provided in Section 14.2. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any Holder shall not invalidate any resolution passed at any such meeting. A Holder may waive notice of a meeting either before or after the meeting.

### **13.3 Chairman**

A Person, who need not be a Holder, nominated in writing by the Corporation shall be chairman of the meeting and if no Person is so nominated, or if the Person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Holders present in person or by proxy shall choose a Person present to be chairman.

#### **13.4 Quorum**

Subject to the provisions of Section 13.12, at any meeting of the Holders a quorum shall consist of Holders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Holders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Holders or pursuant to a request of the Holders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Holders present in person or by proxy shall, subject to the provisions of Section 13.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting, which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

#### **13.5 Power to Adjourn**

The chairman of any meeting at which a quorum of the Holders is present may, with the consent of the Holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

#### **13.6 Show of Hands**

Every question submitted to a meeting shall, subject to Section 13.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

#### **13.7 Poll**

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Holders or proxies for Holders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

#### **13.8 Voting**

On a show of hands every person who is present and entitled to vote, whether as a Holder or as proxy for one or more Holders or both, shall have one vote. On a poll each Holder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each \$1,000 principal amount of Debentures of which he shall then be the holder. A proxy need not be a Holder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

### **13.9 Proxies**

A Holder may be present and vote at any meeting of Holders by an authorized representative. The Corporation for the purpose of enabling the Holders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

- (a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Holder;
- (b) the deposit of instruments appointing proxies at such place as the Corporation or the Holders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited;
- (c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and
- (d) generally for the calling of meetings of Holders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Holders and persons whom Holders have by instrument in writing duly appointed as their proxies.

### **13.10 Persons Entitled to Attend Meetings**

The Corporation, by its respective officers, directors and employees, the auditors of the Corporation and the legal advisers of the Corporation or of any Holders may attend any meeting of the Holders, but shall have no vote as such.

### **13.11 Powers Exercisable by Extraordinary Resolution**

In addition to the powers conferred upon them by any other provisions of this Debenture or by law, a meeting of the Holders shall have the following powers exercisable from time to time by Extraordinary Resolution:

- (a) to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;
- (b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Holders against the Corporation, or against its property, whether such rights arise under this Debenture or otherwise;

- (c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Debenture which shall be agreed to by the Corporation and to concur in and execute any debenture supplemental hereto embodying any modification, change, addition or omission;
- (d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof;
- (e) power to waive any default hereunder either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (f) power to restrain any Holder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;
- (g) power to direct any Holder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted hereunder, of the costs, charges and expenses reasonably and properly incurred by such Holder in connection therewith;
- (h) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- (i) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise on behalf of the Holders, such of the powers of the Holders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Holders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Holders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;
- (j) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;
- (k) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 13.11(j); and
- (l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Holders or by any committee appointed pursuant to Section 13.11(i).



#### **13.12 Meaning of "Extraordinary Resolution"**

- (a) The expression "Extraordinary Resolution" when used in this Debenture means, subject as hereinafter in this Article 13 provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Holders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article 13 at which the holders of not less than 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.
- (b) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

#### **13.13 Powers Cumulative**

Any one or more of the powers in this Debenture stated to be exercisable by the Holders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Holders to exercise the same or any other such power or powers thereafter from time to time.

#### **13.14 Minutes**

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Holders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

#### **13.15 Instruments in Writing**

All actions which may be taken and all powers that may be exercised by the Holders at a meeting held as hereinbefore in this Article 13 provided may also be taken and exercised by the holders of 66  $\frac{2}{3}$ % of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression "Extraordinary Resolution" when used in this Debenture shall include an instrument so signed.

#### **13.16 Binding Effect of Resolutions**

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 13 at a meeting of Holders shall be binding upon all the Holders, whether present at or absent from such meeting, and every instrument in writing signed by Holders in accordance with Section 13.15 shall be binding upon all the Holders, whether signatories thereto or not, and each and every Holder shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

### **13.17 Evidence of Rights of Holders**

Any request, direction, notice, consent or other instrument that this Debenture may require or permit to be signed or executed by the Holders may be in any number of concurrent instruments of similar tenor signed or executed by such Holders.

## **ARTICLE 14 NOTICES**

### **14.1 Notice to Corporation**

Any notice to the Corporation under the provisions of this Debenture shall be valid and effective if delivered to the Corporation at: Suite 300, 222-3<sup>rd</sup> Avenue S.W., Calgary, T2P 0B4, Attention: Chief Executive Officer, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Holder in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Debenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 14.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 14.1.

### **14.2 Notice to Holder**

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if delivered to the Holder at its principal office in the City of Edmonton, at the following address: 1100 - 10830 Jasper Avenue, Edmonton, Alberta T5J 2B3, Attention: Darren Baccus, Email: darren.baccus@aimco.alberta.ca or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Holder may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice shall be the address of the Holder to receive notices from the Corporation.

### **14.3 Mail Service Interruption**

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holder would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 14.2, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 14.2.

## **ARTICLE 15 CONFIDENTIALITY**

### **15.1 Confidentiality**

The Holder shall not use (other than for purposes of its investment in and holding of Debentures and Common Shares and its rights pursuant to this Debenture) or disclose to any Person, directly or indirectly, any Confidential Information at any time hereafter provided, however, that nothing in this Section 15.1 shall preclude the Holder from disclosing or using Confidential Information if: (a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Debenture; or (b) disclosure is required to be made by any law, regulation,

governmental body or authority or by court order or under the rules of an applicable stock exchange and the Holder has, to the extent allowed, provided the Corporation with prompt notice of such requirement or request so that the Corporation may seek an appropriate protection order, or waive compliance with any of the provisions hereof, or both. If, in the absence of either a protective order or a waiver by the Corporation, the Holder, in the reasonable opinion of its legal counsel, is required by law, securities regulation or policy to disclose any Confidential Information, the Holder may, without liability hereunder disclose that portion, and only that portion, of the Confidential Information that the Holder is required so to disclose and the Holder will exercise its reasonable efforts in such event to obtain reliable assurance that the Confidential Information will be accorded confidential treatment.

The Holder acknowledges and agrees that the obligations under this Section 15.1 are to remain in effect for a period of two (2) years from the date on which the terms and conditions in Section 7.4 are no longer binding upon the Corporation pursuant to Section 10.4.

#### **ARTICLE 16 AMENDMENT AND RESTATEMENT**

This Debenture amends and restates the second amended and restated debenture dated July 4, 2014 in the principal amount of \$25,000,000 issued by the Corporation to the Holder (the "**Prior Debenture**"). Concurrently with the issuance of this Debenture, the Holder shall surrender the Prior Debenture to the Corporation for cancellation.

In consideration for the Holder's agreement that the Prior Debenture be amended and restated in the form of this Debenture, the Corporation shall:

- (a) issue and deliver to the Holder a certificate representing 1,000,000 Common Shares, registered in the name of the Holder. Accordingly, the amendment and restatement of the Prior Debenture with this Debenture shall be conditional on the Holder's receipt of that share certificate; and
- (b) cause each of its direct and indirect subsidiaries to guarantee the obligations of the Corporation under this Debenture and to provide a first fixed and floating charge over all of its present and after-acquired property, assets and undertaking as security for its obligations under such guarantee, together with such certificates, registrations, legal opinions and other documentation as the Holder may reasonably require, all in form and substance satisfactory to the Holder.



## EXHIBIT "A"

### REPRESENTATIONS AND WARRANTIES

For the purposes of this Exhibit "A", the following terms shall have the meanings set forth below:

**"2015 Financial Information"** means, collectively, the unaudited consolidated income statement of the Corporation for the period from January 1, 2015 to August 31, 2015 and the account balance confirmation of the Corporation as at August 31, 2015, each as set forth in Exhibit "F";

**"Financial Statements"** means the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2014 and 2013, together with the notes thereto and the report of the auditors thereon;

**"GLJ"** means GLJ Petroleum Consultants Ltd.; and

**"GLJ Report"** means the independent engineering evaluation of the bitumen reserves and contingent resources attributable to the Oil Sand Leases prepared by GLJ effective March 31, 2014 and dated June 6, 2014.

The Corporation hereby represents and warrants to the Holder as follows and acknowledges that the Holder is relying upon the following representations and warranties:

- (i) each of the Corporation and its Subsidiaries has been duly incorporated, amalgamated or formed (as the case may be) and organized and is valid and subsisting under the laws of the jurisdiction of its incorporation, amalgamation or formation (as the case may be) and has all requisite corporate or partnership capacity, power and authority, as applicable, to carry on its business as now conducted and to own, lease and operate its properties and assets;
- (ii) the Corporation does not have any Subsidiaries other than KemeX Ltd., Kemex Technologies Ltd. and 1<sup>st</sup>Site Technologies Ltd., and the Corporation is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the *Business Corporations Act* (Alberta)), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships;
- (iii) each of the Corporation and its Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
- (iv) each of the Corporation and its Subsidiaries has conducted its business in compliance in all material respects with all Applicable Laws and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of the Corporation and its Subsidiaries, as the case may be, as now conducted (except where the failure to so conduct its business or to hold such licences, registration or qualifications would not, individually or in the aggregate, have a Material Adverse Effect), all such licences, registrations or qualifications are valid and existing and in good standing (except where such lack of good standing would not have a Material Adverse Effect) and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have a Material Adverse Effect and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation

anticipates the Corporation or its Subsidiaries will be unable to comply with without constituting a Material Adverse Effect;

- (v) all of the issued and outstanding securities of the Corporation's Subsidiaries are validly issued as fully paid and non-assessable, the Corporation is, directly or indirectly, the registered and beneficial holder of all such issued and outstanding securities and holds such common shares with valid and marketable title to the securities free and clear of any liens, pledges, charges, encumbrances, security interests or other adverse claims whatsoever (other than bank security) and no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of its Subsidiaries or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued shares, securities (including convertible securities) or warrants of its Subsidiaries; and the Corporation has no material shareholdings in any other corporation, partnership or business organization;
- (vi) the minute books of each of the Corporation and its Subsidiaries contain full, true and correct copies of the constating documents of the Corporation and its Subsidiaries, as applicable, and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors, shareholders or partners, as the case may be, of the Corporation and its Subsidiaries, respectively, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;
- (vii) the books of account and other records of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices and the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded as necessary to facilitate preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets;
- (viii) since December 31, 2014, the Corporation has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction which is or may reasonably be expected to be material to the Corporation and which is not in the ordinary course of business;
- (ix) the Corporation and its Subsidiaries have duly and on a timely basis filed all tax returns due and required to be filed, have paid all taxes due and payable and have paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or its Subsidiaries and, to the best of the knowledge, information and belief of the Corporation, there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or its Subsidiaries, in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;
- (x) the Corporation is not aware of any material contingent tax liability of the Corporation or any grounds which will prompt a reassessment which would result in a material tax liability;

- (xi) the Corporation has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employee, officer, director, or non-resident person, the amount of all taxes and other deductions required by applicable law to be withheld and has duly and timely remitted the withheld amount to the appropriate taxing or other authority and has duly and timely issued tax reporting slips or returns in respect of any amount so paid or credited by it as required by Applicable Law;
- (xii) all filings made by the Corporation and its Subsidiaries under which the Corporation or its Subsidiaries has received or is entitled to government incentives, have been made in accordance, in all material respects, with all Applicable Laws and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or its Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;
- (xiii) except to the extent that any violation or other matter referred to in this subsection does not have a Material Adverse Effect (and, in respect of non-operated properties, to the knowledge, information and belief of the Corporation):
  - A. neither the Corporation nor its Subsidiaries are in violation of any Environmental Laws;
  - B. each of the Corporation and its Subsidiaries have operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - C. there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or its Subsidiaries that have not been remedied;
  - D. no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or its Subsidiaries;
  - E. neither the Corporation nor its Subsidiaries have failed to report to the proper federal, provincial, state, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law;
  - F. each of the Corporation and its Subsidiaries hold all licences, permits and approvals required under any Environmental Laws in connection with the operation of their business and the ownership and use of their assets, all such licences, permits and approvals are in full force and effect, and except for: (A) notifications and conditions of general application to assets of the type owned by the Corporation and its Subsidiaries; and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), and neither the Corporation nor its Subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and



- G. neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies thereof) have received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation nor its Subsidiaries (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;
- (xiv) any and all operations of the Corporation and its Subsidiaries, and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation and its Subsidiaries, have been conducted in accordance with good oil and gas industry practices and in material compliance with Applicable Laws;
- (xv) in respect of the assets and properties of the Corporation and its Subsidiaries that are operated by it, if any, each of the Corporation and its Subsidiaries hold all valid licences, permits and similar rights and privileges that are required and necessary under Applicable Laws to operate the assets and properties of the Corporation and its Subsidiaries, as the case may be, as presently operated except where to hold all valid licences, permits and similar rights would not have a Material Adverse Effect;
- (xvi) the Corporation has full corporate capacity, power and authority to enter into the Transaction Documents and to perform its obligations set out herein and therein (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), and the Transaction Documents have been duly authorized, executed and delivered by the Corporation and the Transaction Documents are legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by Applicable Law;
- (xvii) no action, approval, consent or vote on the part of the shareholders of the Corporation is or shall be necessary to consummate the transactions contemplated by the Transaction Documents;
- (xviii) this Debenture has been duly and validly issued as fully paid and non-assessable;
- (xix) the Corporation has full power and authority to issue the Common Shares issuable upon conversion, redemption or maturity of this Debenture and upon issuance thereof in accordance with this Debenture, such Common Shares will, at the time of issue, be duly allotted, validly issued and outstanding as fully paid and non-assessable;
- (xx) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of the Transaction Documents by the Corporation or any of the transactions contemplated hereby or thereby (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion, redemption or maturity of this Debenture), does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the articles, by-laws or constituting documents of the Corporation or its Subsidiaries, as applicable, (ii) any resolutions of shareholders or directors (or any committee thereof), as the case may be, of the Corporation or its Subsidiaries, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or its Subsidiaries is a party or by which it is bound, or (iv) any Applicable Law, which default or breach might reasonably be expected to have a Material Adverse Effect; and to the best of the knowledge of the Corporation, no event exists which would constitute an Event of Default or which, with the passage of time, giving of notice or both, would constitute an Event of Default;

(xxi) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or its Subsidiaries from the position set forth in the Financial Statements and there has not been any Material Adverse Effect since December 31, 2014; since that date there have been no material facts, transactions, events or occurrences which could constitute a Material Adverse Effect or transactions outside the ordinary course of business and, without limitation, since December 31, 2014 there has been no material change with respect to the financial position of the Corporation (as represented in the Financial Statements) regarding:

- A. "cash and cash equivalents", which at August 31, 2015 was \$2,205,337, with reductions since August 31, 2015 for ordinary course general and administrative expenses;
- B. "exploration and evaluation assets", subject only to amortization in accordance with the Tax Act and regulations thereunder;
- C. "plant property and equipment", subject to amortization in accordance with the Tax Act and regulations thereunder;
- D. "intangible assets", subject to amortization in accordance with the Tax Act and regulations thereunder; and
- E. "liabilities", which are estimated to be at August 31, 2015 at \$42,731,000, and subject to additions since that time in the ordinary course of business; and

there have been no dividends declared by the Corporation; and no impairment has occurred to "exploration and evaluation assets", property plant and equipment" or "intangible assets" of the Corporation from the December 31, 2014 balances noted in the Financial Statements;

(xxii) the Financial Statements fairly present, in accordance with International Financial Reporting Standards, consistently applied, the consolidated financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and, if applicable, its Subsidiaries (taken as a whole) as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and, if applicable, its Subsidiaries as at the dates thereof required to be disclosed by International Financial Reporting Standards. The Corporation represents that the 2015 Financial Information is accurate and complete with no omissions of material facts, transactions, events or occurrences which could constitute a Material Adverse Effect;

(xxiii) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of this Debenture, except such as may be required by Applicable Securities Legislation;

(xxiv) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation or its Subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way could constitute a Material Adverse Effect and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

(xxv) the authorized capital of the Corporation consists of an unlimited number of Common Shares of which 87,652,179 Common Shares are issued and outstanding as at the date hereof, each of which shares is validly issued, fully paid and non-assessable;

- (xxvi) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (A) 3,777,675 Common Shares subject to options granted by the Corporation pursuant to its stock option plan; (B) the 2012 Debentures; and (C) this Debenture;
- (xxvii) other than as disclosed in writing by the Corporation to the Holder, none of the directors, officers or employees of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation;
- (xxviii) other than as disclosed in writing by the Corporation to the Holder, no officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any associate or affiliate of any such persons, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the Corporation's properties or assets or any revenue or rights attributed thereto;
- (xxix) to the knowledge of the Corporation, none of the Corporation or its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangement in respect of outstanding securities of the Corporation;
- (xxx) no securities commission or similar regulatory authority in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Legislation;
- (xxxi) the Corporation is not a "reporting issuer" within the meaning of Applicable Securities Legislation;
- (xxxii) to the knowledge of the Corporation, no insider of the Corporation has advised the senior officers of the Corporation of their present intention to sell any securities of the Corporation;
- (xxxiii) the form and terms of definitive certificates representing the Common Shares have been, duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;
- (xxxiv) the Corporation has made available to GLJ, prior to the issuance of the GLJ Report, for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, the Corporation has no knowledge of a material adverse change in any production, cost, reserves or other relevant information provided to GLJ since the dates that such information was so provided. The Corporation believes that the GLJ Report reasonably presents: (A) the quantity and pre-tax present worth values of the bitumen reserves attributable to the Oil Sand Leases; and (B) the quantity of the contingent resources attributable to the Oil Sands Leases, in each case, based upon information available at the time the GLJ Report was prepared, and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to changes in commodity prices since the date of the GLJ Report does not) overstate the aggregate quantity or pre-tax present worth

values of such reserves, the estimated monthly production volumes therefrom, or the aggregate quantity of such contingent resources;

- (xxxv) the GLJ Report has not been amended, supplemented or superceded;
- (xxxvi) although it does not warrant title, the Corporation does not have reason to believe that the Corporation or its Subsidiaries do not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the "Interest") and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation or Subsidiaries except as those arising in the ordinary course of business or pursuant to the 2012 Debentures and this Debenture, and that, to the knowledge of the Corporation, each of the Corporation and Subsidiaries holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a Material Adverse Effect;
- (xxxvii) the Corporation is not aware of any defects, failures or impairments in the title of any of the Corporation or Subsidiaries to its crude oil, natural gas liquids, natural gas and bitumen properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which, in aggregate, could have a material adverse effect on: (A) the quantity and pre-tax present worth values of bitumen reserves attributable to the Oil Sand Leases; or (B) the quantity of contingent resources attributable to the Oil Sand Leases;
- (xxxviii) other than as disclosed in the Financial Statements, the Corporation has not completed any "significant acquisition" (as such term is defined in National Instrument 51-102, *Continuous Disclosure Obligations*) and, the Corporation is not proposing any "proposed acquisition" (as such term is used in Item 10 of Form 44-101F1 to NI 44-101);
- (xxxix) to the knowledge of the Corporation, Deloitte LLP are independent chartered accountants with respect to the Corporation;
- (xl) there has not been any "reportable event" (within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations*) with the present or any former auditor of the Corporation;
- (xli) neither the Corporation nor its Subsidiaries is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation or its Subsidiaries and Applicable Laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person (other than the Corporation and/or its Subsidiaries);
- (xlii) other than pursuant to the 2012 Debentures and this Debenture, neither the Corporation nor its Subsidiaries has any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation or its Subsidiaries that are currently outstanding;
- (xliii) each of the Corporation and its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring the Corporation and its Subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not constitute a Material Adverse Effect;



- (xliv) other than as disclosed in writing by the Corporation to the Holder, there are no material contracts or agreements to which the Corporation or its Subsidiaries is a party or by which it is bound and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation or its Subsidiaries, as the case may be, enforceable in accordance with their respective terms and, to the knowledge of the Corporation, no party thereto is in default thereunder. For the purposes of this paragraph, any contract or agreement pursuant to which the Corporation or its Subsidiaries will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$500,000, in either case in the next 12 months, or is out of the ordinary course of business of either the Corporation or its Subsidiaries, shall be considered to be material;
- (xlv) other than as disclosed in writing by the Corporation to the Holder, neither the Corporation nor its Subsidiaries is a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;
- (xlv) neither the Corporation nor its Subsidiaries have any entered into any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);
- (xlvii) to the best of the Corporation's knowledge, all accounts receivable in any material amount of the Corporation are deemed collectible;
- (xlviii) neither the Corporation nor, to the knowledge of the Corporation, any officer, director, employee or agent of the Corporation has, directly or indirectly (a) paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any broker, finder, agent, client representative, employee, political party or campaign, government official or other person, which any officer, director, employee or agent of the Corporation knew or had reason to believe, or ought to have known, was in violation of the *Corruption of Foreign Public Officials Act* (Canada), the *United States Foreign Corrupt Practices Act of 1977*, as amended, or any applicable law implementing the provisions of the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); or (b) made or received an unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment;
- (xlix) the Corporation has not been, nor to the knowledge of the Corporation, has any director, officer, agent, employee, affiliate or person acting on behalf of the Corporation been or is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department ("OFAC"); and the Corporation will not directly or indirectly use any proceeds of the distribution of this Debenture, or lend, contribute or otherwise make available such proceeds to the Corporation or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person targeted by any of the sanctions of the United States administered by OFAC;
- (l) the operations of the Corporation are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority



(collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-governmental authority involving the Corporation with respect to the Money Laundering Laws is, to the best knowledge of the Corporation, pending or threatened;

- (li) the Corporation and its Subsidiaries have, all proprietary rights provided in law to all patents, trademarks, copyrights, industrial designs, software, firmware, trade secrets, know-how, show-how, concepts, information and other intellectual and industrial property (collectively, “**Intellectual Property**”) necessary to permit each to conduct its business as it is currently conducted except where the failure to have such rights would not have a Material Adverse Effect. All such Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit “E”, is free and clear of any encumbrances which would have a Material Adverse Effect on the Corporation and neither the Corporation nor its Subsidiaries has knowledge of any claim of adverse ownership in respect thereof except where the failure to own or have such right of use would not have a Material Adverse Effect. Neither the Corporation nor any of its Subsidiaries license for use any Intellectual Property, the loss of which would have a Material Adverse Effect on it;
- (lii) to the knowledge of the Corporation, none of the use by it or its Subsidiaries of the Intellectual Property necessary to permit each to conduct its business as it is currently conducted, including for certainty that Intellectual Property set forth in Exhibit “E”, all applications therefor or the conduct of the business of each it and its Subsidiaries infringes upon, misappropriates or breaches the industrial or intellectual property rights of any other person;
- (liii) the Corporation has disclosed to the Holder a complete and accurate list of all registrations, and applications for registration, of Intellectual Property owned by the Corporation and its Subsidiaries (“**Registered Intellectual Property**”) in Exhibit “E”. The Corporation or its Subsidiaries hold the entire right, title and interest in and to all of the Registered Intellectual Property and have the exclusive and unfettered right to make, use and sell the Registered Intellectual Property to the extent of the rights granted therein. Neither the Corporation nor its Subsidiaries has knowledge of any invalidity or unenforceability of the Registered Intellectual Property. None of the Intellectual Property owned by the Corporation (“**Owned Intellectual Property**”) has been licensed to another entity other than in the ordinary course of business;
- (liv) all of the Owned Intellectual Property is identified in Exhibit “E”;
- (lv) the employees or individual contractors who originally contributed to the development of the Owned Intellectual Property, including for certainty that Intellectual Property set forth in Exhibit “E”, have (i) assigned all of their rights therein to Corporation, and (ii) waived their moral rights (if any) in the Owned Intellectual Property except as would not have a Material Adverse Effect; and
- (lvi) neither the Corporation nor any of its Subsidiaries has commenced legal proceedings against any Person relating to infringement, misappropriation or breach by such Person of any Intellectual Property owned by the Corporation or such Subsidiary, including for certainty that Intellectual Property set forth in Exhibit “E”.

**EXHIBIT "B"**

**CONVERSION NOTICE**

TO: OAK POINT ENERGY LTD.

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 15.0% Senior Secured Redeemable Convertible Debenture irrevocably elects to convert this Debenture (or \$\_\_\_\_\_ principal amount thereof\*) in accordance with the terms of this Debenture and tenders herewith this Debenture, and, if applicable, directs that the Common Shares of Oak Point Energy Ltd. issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: \_\_\_\_\_  
(Signature of Registered Holder)

\* If less than the full principal amount of this Debenture, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a Canadian Schedule 1 chartered bank, a major Canadian trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: \_\_\_\_\_

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, Province and Postal Code)

Name of guarantor: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

**EXHIBIT "C"**

**REDEMPTION NOTICE**

To: The Holder of 15.0% Senior Secured Redeemable Convertible Debenture (the "**Debenture**") of Oak Point Energy Ltd. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the Debenture that the aggregate principal amount of \$• of the \$• of Debenture outstanding will be redeemed as of • (the "**Redemption Date**"), upon payment of a redemption amount of \$[•] for each \$1,000 principal amount of the Debenture, being equal to the aggregate of (i) \$• (the "**Redemption Price**"), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the "**Total Redemption Price**").

The Total Redemption Price will be payable upon presentation and surrender of this Debenture called for redemption at the following office of the Holder set out in the Debenture.

The interest upon the principal amount of Debenture called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of this Debenture at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Debenture.

DATED:

**OAK POINT ENERGY LTD.**

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(Authorized Director or Officer)

**EXHIBIT "D"**  
**OIL SANDS LEASES**

<b>Lands</b>	<b>Leases</b>	<b>Grantor's Interest</b>	<b>Encumbrances</b>
<b>(a) Lewis Lands</b>			
<p>Twp 92 Rge 7 W4M: Sec 27 &amp; 34 Twp 93 Rge 7 W4M: Sec 3 &amp; 4</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407050728</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<p>Twp 93 Rge 7 W4M: Sec 1</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407100672</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<b>(b) Lewis SW Lands</b>			
<p>Twp 91 Rge 8 W4M: Sec 10 &amp; 15</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407100671</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<b>(c) Great Divide West Lands</b>			
<p>Twp 82 Rge 14 W4M: Sec 6</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407010528</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>
<p>Twp 82 Rge 14 W4M: Sec 7</p> <p>(Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)</p>	<p>Crown Oil Sands Lease No. 7407010529</p>	<p>100%</p>	<p>Crown S/S 1% GORR – Diamond Head Investments Ltd.</p>

Lands	Leases	Grantor's Interest	Encumbrances
Twp 82 Rge 14 W4M: Sec 23  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110500	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 33  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110502	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 14 W4M: Sec 14  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406110499	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 82 Rge 15 W4M: Sec 1  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7407010530	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(d) Chelsea River Lands</b>			
Twp 95 Rge 15 W4M: Sec 4 & 9  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7406090454	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
<b>(e) Duncan Lands</b>			
Twp 75 Rge 16 W4M: Sec 27  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010274	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.
Twp 75 Rge 16 W4M: Sec 35  (Oil Sands below the top of the Viking FM to the base of the Woodbend GRP)	Crown Oil Sands Lease No. 7408010275	100%	Crown S/S 1% GORR – Diamond Head Investments Ltd.

# EXHIBIT "E"

## INTELLECTUAL PROPERTY

### INSite/KEMEX Patent Applications

<i>Title</i>	<i>Country</i>	<i>Application Number</i>	<i>Filing Date</i>	<i>Status</i>
Vapour Recovery Unit For Steam Assisted Gravity Drainage (SAGD) System	US	13/074,275	March 29, 2011	ISSUED
	Canada	USP 9,095,748 2,735,069	August 4, 2015 March 29, 2011	Pending
An Improved Water Recovery System SAGD System Utilizing A Flash Drum	US	13/074,283	Mar. 29, 2011	ISSUED
	Canada	USP 8,945,398 2,735,061	Feb. 3, 2015 Mar. 29, 2011	Pending
A Contaminant Control System in an Evaporative Water Treating System	US	13/074,265 USP 9,028,655	March 29, 2011 May 12, 2015	ISSUED
	Canada	2,735,097	March 29, 2011	Pending
	China	201180051228.8	March 29, 2011	Pending
	Colombia	13,057,867	Mar. 22, 2013	Granted
	Europe	11819218.6	October 22, 2014	Pending
	Kazakhstan	2013/1522.1	March 29, 2011	ISSUED
	Madagascar	KZ 2935	February 22, 2013 November 10, 2014	ISSUED
	Russia	2013/8 625	March 29, 2011 December 18, 2014	ISSUED
	Oman	2013107909	March 29, 2011	ISSUED
	Mexico	2550196	April 7, 2015	Pending
United Arab Emirates Singapore	Mexico	OM/P/2013/00039	February 24, 2013	Pending
	Poland	MX/a/2013/002224	February 25, 2013	Pending
	Brazil	P.404140	February 22, 2013	Pending
	Nigeria	BR 11 2013 004388 1	February 25, 2013	ISSUED
		Cert. No. 001014	March 29, 2011	
		Patent No. NG/C/2013/138	February 23, 2013	Pending
		P/191/2013	February 24, 2013	ISSUED
		201301335-4	March 29, 2011	

<b>Title</b>	<b>Country</b>	<b>Application Number</b>	<b>Filing Date</b>	<b>Status</b>
Modular Transportable System for SAGD Process	India	P-187937	May 5, 2015	Pending
	Australia	469/KOLNP/2013 2011293034	February 22, 2013 March 29, 2011	Pending
	US	13/095,318	April 27, 2011	Pending
	Canada	2,738,259	April 27, 2011	Pending
	China	201180066312.7	July 26, 2013	Pending
	Kazakhstan	2013/1625.1	August 26, 2013	Pending
	Madagascar	2013/30	August 26, 2013	Pending
	Russia	2013139463	August 26, 2013	Pending
	Oman	OM/P/2013/179	July 27, 2013	Pending
	Mexico	MX/a/2013/008727	July 26, 2013	Pending
	United Arab Emirates	818/2013	July 28, 2013	Pending
	Nigeria	NG/C/2013/507	July 28, 2013	ISSUED
		RP:NG/C/2013/507	December 22, 2014	
	Australia	2011357584	July 12, 2013	Pending
	India	5598/CHENP/2013	July 25, 2013	Pending
	Singapore	201305720-3	July 26, 2013	Pending
	Brazil	BR 11 2013 018814 6	July 23, 2013	Pending
Compact Evaporator for Modular SAGD Process	US	13/087,708	April 15, 2011	ISSUED
		USP 8,951,392	February 10, 2015	
	Canada	2,737,624	April 15, 2011	Pending
	China	201180066313-1	July 26, 2013	Pending
	Singapore	201305721-1	July 26, 2013	ISSUED
		Patent P-No. 192174	August 26, 2014	
	Kazakhstan	2013/1624.1	August 24, 2013	Pending
	Russia	2013139465	August 26, 2013	Pending
	Nigeria	NG/C/2013/471	July 27, 2013	ISSUED
		RP: NG/C/2013/471	December 20, 2013	
	United Arab Emirates	819/2013	July 28, 2013	Pending
	Australia	2011357583	April 15, 2011	Pending
	India	6002/CHENP/2013	July 25, 2013	Pending
	Madagascar	2013/29 629	July 27, 2013 May 11, 2015	ISSUED
	Oman	OM/P/2013/00175	July 27, 2013	Pending
	Mexico	MX/a/2013/008726	July 26, 2013	Pending

<i>Title</i>	<i>Country</i>	<i>Application Number</i>	<i>Filing Date</i>	<i>Status</i>
	Poland	P.406241	July 19, 2013	Pending
	Brazil	BR 11 2013 018729 8	July 23, 2013	Pending
Bitumen Recovery Process	US	13/971,893	August 21, 2013	Pending
	United Arab Emirates	198/2015	January 15, 2015	Pending
	Australia	2013305433	January 15, 2015	Pending
	Oman	OM/P/2015/00016	January 20, 2015	Pending
	Canada	2,880,092	January 26, 2015	Pending
	China	201380041458.5	February 17, 2015	Pending
	Colombia	15.012.615	January 22, 2015	Pending
	Europe	EP 13831655.9	August 21, 2013	Pending
	India	143/KOLNP/2015	January 15, 2015	Pending
	Kazakhstan	2015/0090.1	March 3, 2015	Pending
	Madagascar	2015/01	January 16, 2015	Pending
	Mexico	MX/a/2015/000934	January 20, 2015	Pending
	Nigeria	NG/PT/C/2013/848	January 16, 2015	Pending
	Brazil	BR 11 2015 003024 6	February 21, 2015	Pending
Evaporator Sump and Process For Separating Contaminants Resulting in High Quality Steam	Poland	P.411369	January 19, 2015	Pending
	Russia	2015101920	January 21, 2015	Pending
	Singapore	11201500300Q	January 15, 2015	Pending
Detachable Pipe Rack Module with Detachable Connectors for use in a Processing Facility	US	14/601,792	January 21, 2015	Pending
	Canada	2,879,257	January 20, 2015	Pending
	PCT		January 21, 2015	Pending
Evaporator for SAGD Process	US	14/617,394	February 9, 2015	Pending
	PCT	CA2015050090	February 9, 2015	Pending
Evaporator for SAGD Process	US	14/594,884	January 12, 2015	Pending

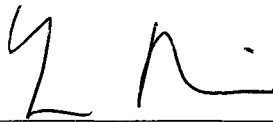


**EXHIBIT "F"**  
**2015 FINANCIAL INFORMATION**



# Exhibit "G"

This is Exhibit "G" to the  
Affidavit of Kate Malcolm  
Sworn April 11, 2017



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Commissioner for taking affidavits

## GUARANTEE AND SECURITY AGREEMENT

DATE: September 28, 2015

### RECITALS:

- A. OAK POINT ENERGY LTD. (the "Issuer") issued a third amended and restated secured redeemable convertible debenture dated September 28, 2015 and due December 31, 2016 (such agreement, as it may be amended, supplemented or otherwise modified or restated from time to time, the "**Debenture**") to Private Equity Oak LP (the "**Lender**") pursuant to which the Issuer incurred the Obligations (as defined in the Debenture).
- B. AND WHEREAS each of the Guarantors (as defined below) has agreed to provide a guarantee of the full and irrevocable payment and performance of the Obligations, and to grant a security interest in all of its respective property, undertaking and assets to the Lender as continuing collateral security for their obligations hereunder.

### AGREEMENT:

Each of the Guarantors agrees as follows:

1. Definitions. Capitalized words and phrases used herein will have the meanings attributed to them in the Debenture or as otherwise defined herein. "**Guarantors**" means, collectively, Kemex Ltd., Kemex Technologies Ltd. and 1<sup>st</sup>Site Technologies Ltd. and each other Person that from time to time becomes a Guarantor under this Agreement by execution and delivery of a supplemental agreement to this Agreement pursuant to 11(c), and their respective successors and permitted assigns, and "**Guarantor**" means any one of them. Terms defined in the *Personal Property Security Act* (Alberta) ("**PPSA**") or 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**", "**intangible**", "**investment property**", "**instrument**", "**money**", "**personal property**" and "**proceeds**" have the meanings given to them in the PPSA; and the terms "**control**", "**deliver**", "**financial asset**", "**securities account**", "**securities intermediary**", "**certificated security**", "**uncertificated security**" and "**security entitlement**" have the meanings given to them in the STA.
2. Guarantee.
  - (a) Each Guarantor hereby irrevocably and unconditionally guarantees to the Lender the punctual, complete and irrevocable payment when due (whether at stated maturity, on demand or otherwise), and at all times thereafter, and the due performance of and compliance with, all of the Obligations. Upon demand, following an Event of Default each Guarantor agrees to make immediate payment

and performance to the Lender of all Obligations due and payable on demand by the Lender upon such Guarantor. The liability of each Guarantor bears interest from the date of such demand at the rate or rates of interest then applicable to the Obligations under and calculated in the manner provided in this Agreement and the Debenture (including any adjustment to give effect to the provisions of the *Interest Act* (Canada)).

- (b) If any amount demanded hereunder is not recoverable from a Guarantor on the basis of a guarantee, then, notwithstanding any other provision hereof, such Guarantor will indemnify and save harmless the Lender from and against any and all losses, damages, costs, expenses or liabilities suffered or incurred by the Lender resulting or arising from or relating to any failure of the Issuer or any other Guarantor to unconditionally and irrevocably pay in full or fully perform the Obligations as and when due provided that the amount of such indemnification shall not exceed the amount of such Obligations and any amounts due and owing hereunder.
- (c) If any or all of the Obligations are not duly performed by the Issuer and are not performed by the Guarantors, or any of them, under Section 2(a) or the Lender is not indemnified under Section 2(b), in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be performed by each Guarantor as primary obligor.
- (d) The respective obligations of each Guarantor under Section 2(a) is a continuing guarantee, and the respective obligations of each Guarantor under Section 2(b) and Section 2(c) are continuing obligations. Each of Section 2(a), Section 2(b) and Section 2(c) extends to all present and future Obligations, applies to and secures the ultimate balance of the Obligations due or remaining due to the Lender and is binding as a continuing obligation of each Guarantor until the Lender releases such Guarantor. This Agreement will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Lender upon the insolvency, bankruptcy or reorganization of the Issuer or otherwise, all as though the payment had not been made.
- (e) Each Guarantor agrees that the liability of such Guarantor under Section 2(a) and Section 2(c) and, for greater certainty, under Section 2(b), is absolute and unconditional irrespective of:
  - (i) the lack of validity or enforceability of any terms of this Agreement, the Debenture or the other Transaction Documents;
  - (ii) any contest by the Issuer or any other Person as to the amount of the Obligations, the validity or enforceability of any terms of this Agreement, the Debenture or the other Transaction Documents or the perfection or priority of any security granted to the Lender;

- (iii) any defence, counter claim or right of set-off available to the Issuer;
- (iv) any release, compounding or other variance of the liability of the Issuer or any other Person liable in any manner under or in respect of the Obligations or the extinguishment of all or any part of the Obligations by operation of law;
- (v) any change in the time or times for, or place or manner or terms of payment or performance of the Obligations or any consent, waiver, renewal, alteration, extension, compromise, arrangement, concession, release, discharge or other indulgences which the Lender may grant to the Issuer or any other Person;
- (vi) any amendment or supplement to, or alteration or renewal of, or restatement, replacement, refinancing or modification or variation of (including any increase in the amounts available thereunder or the inclusion of an additional borrower thereunder), or other action or inaction under, this Agreement, the Debenture, the other Transaction Documents or any other related document or instrument, or the Obligations;
- (vii) any discontinuance, termination, reduction, renewal, increase, abstention from renewing or other variation of any credit or credit facilities to, or the terms or conditions of any transaction with, the Issuer or any other Person;
- (viii) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Issuer or any Guarantor or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Issuer or any Guarantor or their respective businesses;
- (ix) any dealings with the security which the Lender holds or may hold pursuant to the terms and conditions of the this Agreement, the Debenture or the other Transaction Documents, including the taking, giving up or exchange of securities, their variation or realization, the accepting of compositions and the granting of releases and discharges;
- (x) any limitation of status or power, disability, incapacity or other circumstance relating to the Issuer, any Guarantor or any other Person, including any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Issuer, any Guarantor or any other Person or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have notice or knowledge of any of the foregoing;
- (xi) the assignment of all or any part of the benefits of this Agreement;

- (xii) any impossibility, impracticability, frustration of purpose, force majeure or illegality of this Agreement, the Debenture or the other Transaction Documents, or the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any governmental entity that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Obligations or the obligations of any Guarantor under this Agreement, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Obligations;
- (xiii) any taking or failure to take security, any loss of, or loss of value of, any security, or any invalidity, non-perfection or unenforceability of any security held by the Lender, or any exercise or enforcement of, or failure to exercise or enforce, security, or irregularity or defect in the manner or procedure by which the Lender realize on such security;
- (xiv) any application of any sums received to the Obligations, or any part thereof, and any change in such application; and
- (xv) any other circumstances which might otherwise constitute a defence available to, or a discharge of, any Guarantor, the Issuer or any other Person in respect of the Obligations or this Agreement.

(f) The obligations of each Guarantor under this Agreement shall be joint and several.

### 3. Grant of Security.

- (a) As continuing security for the payment of all of its obligations hereunder, each Guarantor hereby grants to the Lender a security interest over, and assigns, mortgages, charges, hypothecates and pledges, all of the property, assets, effects and undertaking of such Guarantor whether now owned or hereafter acquired and all of the property, assets, effects and undertaking, of every nature and kind and wherever situate, in which such Guarantor now has or hereafter acquires any interest, including, without limitation, accounts, general intangibles, goods (including inventory, equipment and fixtures), chattel paper, investment property, documents of title, instruments, money, cash and cash equivalents, trade-marks, copyrights, patents, licenses and other Intellectual Property or intangibles and all proceeds thereof, and (ii) a floating charge over all of its present and after-acquired real property. In this Agreement, the subject matter of the foregoing Security Interests is called the "Collateral".
- (b) The Security Interests granted by each Guarantor under this Agreement secure the payment and performance of the following (collectively, the "Secured Obligations"):
  - (i) the Obligations of the Issuer; and

- (ii) all expenses, costs and charges incurred by or on behalf of the Lender in connection with this Agreement, the Debenture and the other Transaction Documents, the Security Interest granted by such Guarantor or the Collateral of such Guarantor, including all legal fees, court costs, receiver's or Lender'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 of such Guarantor, 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 Lender's interest in any Collateral of such Guarantor, whether or not directly relating to the enforcement of this Agreement, the Debenture or the other Transaction Documents (such expenses, costs and charges incurred by or on behalf of the Lender with respect to such Guarantor, the Security Interest granted by such Guarantor or the Collateral of such Guarantor, its "Expenses").
- (c) Each Guarantor acknowledges that (i) value has been given, (ii) it has rights in its Collateral or the power to transfer rights in its Collateral to the Lender (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest granted by it, and (iv) it has received a copy of this Agreement.
- (d) Notwithstanding Section 3(a):
  - (i) the last day of any term reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired is hereby excepted out of the Security Interests created hereby, but the applicable Guarantor shall stand possessed of the reversion remaining of such Guarantor of any leasehold premises, for the time being demised, as aforesaid, upon trust to assign and dispose thereof as the Lender shall direct;
  - (ii) the Security Interest granted by each Guarantor does not extend to consumer goods;
  - (iii) the Security Interest granted by each Guarantor with respect to trade-marks constitutes a security interest in, and a charge, hypothecation and pledge of, such Collateral in favour of the Lender, but does not constitute an assignment or mortgage of such Collateral to the Lender;
  - (iv) until the Security Interest granted by any Guarantor is enforceable, the grant of such Security Interest in the Intellectual Property of such Guarantor does not affect in any way such Guarantor's rights to commercially exploit such Intellectual Property, defend it, enforce such Guarantor'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; and



- (v) in the event the validity and effectiveness of the Security Interests created hereby over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Security Interest with respect to any such Collateral shall be effective as against the Guarantors, the Issuer and all Persons other than such third Person and shall be effective as against such third Person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the applicable Guarantor shall stand possessed of such Collateral upon trust to assign and dispose thereof as the Lender shall for such purposes direct.
- (c) At such time as the Lender is lawfully entitled to exercise its rights and remedies with respect to any Guarantor and its Collateral under Section 9, such Guarantor grants to the Lender an irrevocable, nonexclusive licence (exercisable without payment of royalty or other compensation to such Guarantor) to use, assign, or sublicense any Intellectual Property in which such Guarantor has rights wherever the same may be located, including in such licence access to (i) all media in which any of the licensed items may be recorded or stored, and (ii) all software and computer programs used for compilation or print-out. The license granted by each Guarantor under this Section is to enable the Lender to exercise its rights and remedies with respect to such Guarantor and its Collateral under Section 9 and for no other purpose. The Lender 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.
- (f) The Lender has no obligation to keep Collateral in its possession identifiable.
- (g) Without limiting any other rights or remedies under this Agreement, the Lender may, upon the occurrence and during the continuance of an Event of Default, (i) notify any Person obligated on an instrument, security or account of each Guarantor to make payments to the Lender, whether or not such Guarantor was previously making collections on such accounts, chattel paper, instruments, and (ii) assume control of any proceeds arising from the Collateral of such Guarantor.
- (h) The Lender has no obligation to collect dividends, distributions or interest payable on, or exercise any option or right in connection with any Collateral of any Guarantor. The Lender has no obligation to protect or preserve any Collateral of any Guarantor from depreciating in value or becoming worthless and is released from all responsibility for any loss of value, whether such Collateral is in the possession of, is a security entitlement of, or is subject to the control of, the Lender, a securities intermediary, an Guarantor or any other Person. In the physical keeping of any securities, the Lender 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.

- (i) The Lender may, upon the occurrence and during the continuance of an Event of Default, sell, transfer, use or otherwise deal with any investment property included in the Collateral of each Guarantor over which the Lender has control, on such conditions and in such manner as the Lender in its sole discretion may determine.
- (j) If any Guarantor (i) acquires any securities, (ii) acquires any other financial assets that have not been credited to a securities account specified with respect to such Guarantor in Schedule "C", (iii) acquires any instruments, or (iv) establishes or maintains a securities account that is not specified with respect to it in Schedule "C", such Guarantor will notify the Lender in writing and provide the Lender with a revised Schedule "C" recording the acquisition or establishment of and particulars relating to such securities, financial assets, instruments or securities account within 15 days after such acquisition or establishment.
- (k) At the request of the Lender, each Guarantor will cause the Lender to have control over all securities and other investment property that are now or at any time become Collateral of such Guarantor, and will take all action that the Lender deems advisable to cause the Lender to have control over such Collateral, including (i) causing such Collateral to be transferred to or registered in the name of the Lender or its nominee or otherwise as the Lender may direct, (ii) endorsing any certificated securities to Lender or in blank by an effective endorsement, (iii) delivering such Collateral to the Lender or someone on its behalf as the Lender may direct, (iv) delivering to the Lender any and all consents or other documents or agreements which may be necessary to effect the transfer of such Collateral to the Lender or any third party, and (v) entering into control agreements with the Lender and the applicable securities intermediary or issuer in respect of such Collateral in form and substance satisfactory to the Lender.
- (l) At the request of the Lender, each Guarantor will (i) deliver to and deposit with the Lender the instruments of such Guarantor, if any, listed in Schedule "C", (ii) cause the transfer of any instruments of such Guarantor to the Lender to be registered wherever such registration may be required or advisable in the opinion of the Lender, (iii) endorse any instruments of such Guarantor to the Lender or in blank or register them in the name of the Lender or its nominee or otherwise as the Lender may direct and (iv) deliver to the Lender any and all consents or other documents that may be necessary to effect the transfer of any instruments of such Guarantor to the Lender or any third party.
- (m) Each Guarantor will promptly notify the Lender in writing of the acquisition by such Guarantor of any Intellectual Property in respect of which ownership, title, security interests, charges or encumbrances are capable of registration, recording or notation with any governmental authorities pursuant to Applicable Laws.

4. Assignment and Postponement.

- (a) All obligations, liabilities and indebtedness of the Issuer to each Guarantor of any nature whatsoever and all security therefor (the "**Intercorporate Indebtedness**") are assigned and transferred by such Guarantor to the Lender as continuing and collateral security for such Guarantor's obligations under this Agreement and, following the occurrence and during the continuance of a Default or an Event of Default, postponed to the payment in full of all Secured Obligations. No Guarantor will assign all or any part of the Intercorporate Indebtedness owed to it to any Person other than the Lender.
- (b) Upon the occurrence and during the continuation of an Event of Default, all Intercorporate Indebtedness will be held in trust for the Lender and will be collected, enforced or proved subject to, and for the purpose of, this Agreement. In such event, any payments received by any Guarantor in respect of the Intercorporate Indebtedness will be held in trust for the Lender and segregated from other funds and property held by such Guarantor and, unless prior written authorization from the Lender has been obtained, immediately paid to the Lender on account of the Secured Obligations.
- (c) The Intercorporate Indebtedness owed to it shall not be released or withdrawn by any Guarantor without the prior written consent of the Lender. No Guarantor will allow a limitation period to expire on the Intercorporate Indebtedness owed to it or ask for or obtain any security or negotiable paper for, or other evidence of, such Intercorporate Indebtedness except for the purpose of delivering the same to the Lender.
- (d) In the event of any insolvency, bankruptcy or other proceeding involving the liquidation, arrangement, compromise, reorganization or other relief with respect to the Issuer or its debts, each Guarantor will, upon the request of the Lender, make and present a proof of claim or commence such other proceedings against the Issuer on account of the Intercorporate Indebtedness owed to it as may be reasonably necessary to establish such Guarantor's entitlement to payment of such Intercorporate Indebtedness. Such proof of claim or other proceeding must be made or commenced prior to the earlier of (i) the day which is 30 days after notice requesting such action is delivered by or on behalf of the Lender to such Guarantor and (ii) the day which is 10 days preceding the date when such proof of claim or other proceeding is required by Applicable Law to be made or commenced. Such proof of claim or other proceeding must be in form and substance acceptable to the Lender.
- (e) If any Guarantor fails to make and file such proof of claim or commence such other proceeding in accordance with this Section, the Lender is irrevocably authorized, empowered and directed and appointed the true and lawful attorney of such Guarantor (but is not obliged) with the power to exercise for and on behalf of such Guarantor the following rights, upon the occurrence and during the

continuance of an Event of Default: (i) to make and present for and on behalf of such Guarantor proofs of claims or other such proceedings against the Issuer on account of the Intercompany Indebtedness owed to such Guarantor, (ii) to demand, sue for, receive and collect any and all dividends or other payments or disbursements made in respect of the Intercompany Indebtedness owed to such Guarantor in whatever form the same may be paid or issued and to apply the same on account of the Secured Obligations, and (iii) to demand, sue for, collect and receive each such payment and distribution and give acquittance therefor and to file claims and take such other actions, in its own name or in the name of such Guarantor or otherwise, as the Lender may deem necessary or advisable to enforce its rights under this Agreement.

(f) Each Guarantor will execute all subordinations, postponements, assignments and other agreements as the Lender may reasonably request to more effectively subordinate and postpone the Intercompany Indebtedness to the payment and performance of the Secured Obligations.

(g) The provisions of this Section 4 survive the termination of this Agreement and remain in full force and effect until (i) the Secured Obligations and all other amounts owing under this Agreement, the Debenture and the other Transaction Documents are repaid in full; and (ii) the Lender has no further obligations under this Agreement, the Debenture or the other Transaction Documents.

5. Suspension of Guarantor Rights. So long as there are any Secured Obligations, no Guarantor will exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Agreement (i) to be indemnified by the Issuer, (ii) to claim contribution from any other guarantor of the debts, liabilities or obligations of the Issuer, or (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under this Agreement, the Debenture or the other Transaction Documents. Each Guarantor hereby agrees in favour of the Issuer, the other guarantors and the Lender, that any such rights of indemnification, contribution, or subrogation terminate in the event of a sale, foreclosure or other disposition of any of the equity securities of the Issuer or such Guarantor in connection with an exercise of rights and remedies by the Lender. Each Guarantor further agrees that the Issuer and other guarantors of the debts, liabilities and obligations of the Issuer are intended third party beneficiaries of such Guarantor's agreement contained in this Section 5.

6. No Prejudice to Lender. The Lender is not prejudiced in any way in the right to enforce any provision of this Agreement by any act or failure to act on the part of the Issuer or the Lender. The Lender may, at any time and from time to time, in such manner as any of them may determine is expedient, without any consent of, or notice to, the Guarantors, or any of them, and without impairing or releasing the obligations of the Guarantors, or any of them, (i) change the manner, place, time or terms of payment or performance of the Secured Obligations, (ii) renew or alter the Secured Obligations, (iii) amend, vary, modify, supplement or replace this Agreement, the Debenture or the other Transaction

Documents or any other related document or instrument, (iv) discontinue, reduce, renew, increase, abstain from renewing or otherwise vary any credit or credit facilities to, any transaction with, the Issuer or any other Person, (v) release, compound or vary the liability of the Issuer or any other Person liable in any manner under or in respect of the Secured Obligations, (vi) take or abstain from taking securities or collateral from any other Person, or from perfecting securities or collateral of any other Person, (vii) exercise or enforce or refrain from exercising or enforcing any right or security against the Issuer, any Guarantor or any other Person, (viii) accept compromises or arrangement from any Person, (ix) apply any sums from time to time received to the Secured Obligations, or any part thereof, and change any such application in whole or in part from time to time, (x) otherwise deal with, or waive or modify their right to deal with, any Person and security. In their dealings with the Issuer, the Lender need not enquire into the authority or power of any Person purporting to act for or on behalf of the Issuer.

7. No Subrogation. Each Guarantor irrevocably waives any claim, remedy or other right which it may now have or hereafter acquire against the Issuer that arises from the existence, payment, performance or enforcement of such Guarantor's obligations under this Agreement, including any right of subrogation, reimbursement, exoneration, indemnification or any right to participate in any claim or remedy of the Lender against the Issuer or any collateral which the Lender now have or hereafter acquire, whether or not such claim, remedy or other right is reduced to judgment or is liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and whether or not such claim, remedy or other right arises in equity or under contract, statute or common law. Each Guarantor further agrees that the Issuer is an intended third party beneficiary of such Guarantor's waiver contained in this Section 7. If any amount is paid to any Guarantor in violation of this Section and, at such time, the Lender's claims against the Issuer in respect of the Secured Obligations have not been paid in full, any amount paid to such Guarantor is deemed to have been paid to such Guarantor for the benefit of, and held in trust for, the Lender, and will immediately be paid to the Lender to be credited and applied to such Secured Obligations. Each Guarantor acknowledges that it will receive direct and indirect benefits from the transactions contemplated by this Agreement and that the waiver in this Section 7 is knowingly made in contemplation of such benefits.

8. Set-Off.

- (a) To the fullest extent permitted by law, each Guarantor makes all payments under this Agreement without regard to any defence, counter-claim or right of set-off available to it.
- (b) Upon the occurrence and during the continuance of any Event of Default, the Lender is authorized by each Guarantor at any time and from time to time and may, to the fullest extent permitted by law, set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender to or for the credit or the account of such Guarantor against any and all of the obligations of such Guarantor



now or hereafter existing irrespective of whether or not (i) the Lender has made any demand under this Agreement, or (ii) any of the obligations comprising the Secured Obligations are contingent or unmatured. The Lender agrees promptly to notify such Guarantor after any such set-off and application made by the Lender provided that the failure to give notice shall not affect the validity of the set-off and application. The rights of the Lender under this Section 8(b) are in addition and without prejudice to and supplemental to other rights and remedies which the Lender may have.

9. Enforcement.

- (a) Upon the occurrence of an Event of Default that is continuing, the Security Interests created by this Agreement will become enforceable.
- (b) The Lender is not bound to exhaust their recourse against the Issuer or any other Person or realize on any security they may hold in respect of the Secured Obligations before being entitled to (i) enforce payment and performance against the Guarantors, or any of them, under this Agreement, or (ii) pursue any other remedy against the Guarantors, or any of them, and each of the Guarantors renounces all benefits of discussion and division.
- (c) Any account settled or stated by or between the Lender and the Issuer, or if any such account has not been settled or stated immediately before demand for payment under this Agreement, any account stated by the Lender shall, in the absence of manifest mathematical error, be accepted by each of the Guarantors as conclusive evidence of the amount of the Secured Obligations which is due by the Issuer to the Lender or remains unpaid by the Issuer to the Lender.
- (d) Each Guarantor is liable for and will pay on demand by the Lender any and all of its Expenses.
- (e) Each Guarantor acknowledges that certain of the rates of interest applicable to the Secured Obligations may be computed on the basis of a year of 360 days or 365 days, as the case may be and paid for the actual number of days elapsed. For purposes of the *Interest Act* (Canada), whenever any interest is calculated using a rate based on a year of 360 days or 365 days, as the case may be, such rate determined pursuant to such calculation, when expressed as an annual rate is equivalent to (i) the applicable rate based on a year of 360 days or 365 days, as the case may be, (ii) multiplied by the actual number of days in the calendar year in which the period for such interest is payable (or compounded) ends, and (iii) divided by 360 or 365, as the case may be
- (f) Whenever the Security Interest granted by a Guarantor is enforceable, the Lender may realize upon the Collateral of such Guarantor and enforce the rights of the Lender by:

- (i) entry onto any premises where any such Collateral consisting of tangible personal property may be located;
- (ii) entry into possession of such Collateral by any method permitted by law;
- (iii) sale, grant of options to purchase, or lease of all or any part of such Collateral;
- (iv) holding, storing and keeping idle or operating all or any part of such Collateral;
- (v) exercising and enforcing all rights and remedies of a holder of such Collateral as if the Lender were the absolute owner thereof (including, if necessary, causing such Collateral to be registered in the name of the Lender or its nominee if not already done);
- (vi) collection of any proceeds arising in respect of such Collateral;
- (vii) collection, realization or sale of, or other dealing with, accounts;
- (viii) 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 Lender in its sole judgment determines (taking into account such provisions as may be necessary to protect and preserve such Intellectual Property);
- (ix) instruction or order to any issuer or securities intermediary pursuant to any control the Lender has over such Collateral;
- (x) instruction to any bank to transfer all moneys constituting Collateral of such Guarantor held by such bank to an account maintained with or by the Lender;
- (xi) application of any moneys constituting Collateral of such Guarantor or proceeds thereof in accordance with Section 11(1);
- (xii) 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 such Collateral and removal or replacement from time to time of any such receiver or agent;
- (xiii) institution of proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of such Collateral;
- (xiv) institution of proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of such Collateral;

- (xv) filing of proofs of claim and other documents to establish claims to such Collateral in any proceeding relating to such Guarantor; and
  - (xvi) any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.
- (g) In addition to the remedies set forth in Section 9(f) and elsewhere in this Agreement, whenever the Security Interest granted by an Guarantor is enforceable, the Lender may:
- (i) require such Guarantor, at such Guarantor's expense, to assemble its Collateral to the extent reasonably practicable at a place or places designated by notice in writing and such Guarantor agrees to so assemble its Collateral immediately upon receipt of such notice;
  - (ii) require such Guarantor, by notice in writing, to disclose to the Lender the location or locations of the Collateral of such Guarantor and such Guarantor agrees to promptly make such disclosure when so required;
  - (iii) repair, process, modify, complete or otherwise deal with the Collateral of such Guarantor and prepare for the disposition of such Collateral, whether on the premises of such Guarantor or otherwise;
  - (iv) redeem any prior security interest against any Collateral of such Guarantor, procure the transfer of such security interest to itself, or settle and pass the accounts of the prior mortgagee, chargee or encumbrancer (any accounts to be conclusive and binding on such Guarantor absent manifest error and provided that the Lender has exercised reasonable diligence in verifying such accounts);
  - (v) pay any liability secured by any Security Interest against any Collateral of such Guarantor (such Guarantor will immediately on demand reimburse the Lender for all such payments);
  - (vi) carry on all or any part of the business of such Guarantor and, to the exclusion of all others including such Guarantor, enter upon, occupy and use all or any of the premises, buildings, and other property of or used by such Guarantor for such time as the Lender sees fit, free of charge, and the Lender is not liable to such Guarantor 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;
  - (vii) borrow for the purpose of carrying on the business of such Guarantor or for the maintenance, preservation or protection of the Collateral of such Guarantor and grant a security interest in the Collateral of such Guarantor,



whether or not in priority to the Security Interest granted by such Guarantor, to secure repayment;

- (viii) 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 of such Guarantor, and give good and valid receipts and discharges in respect of such 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 such Guarantor; and
  - (ix) 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 of such Guarantor offered for sale and upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to such Guarantor or any other Person with respect to such holding, retention or disposition, except as required by law. In any such sale to the Lender, the Lender may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for Secured Obligations of such Guarantor then due and payable to it as a credit against the purchase price.
- (h) The remedies under 9(f) and 9(g) may, subject to Applicable Laws, to the extent required thereby, be exercised from time to time separately or in combination and with respect to any Guarantor and its Collateral and are in addition to, and not in substitution for, any other rights of the Lender however arising or created and whether with respect to such Guarantor or otherwise. The Lender is not bound to exercise any right or remedy with respect to any Guarantor or its Collateral, and the exercise of rights and remedies with respect to any Guarantor or its Collateral is without prejudice to the rights of the Lender in respect of the Secured Obligations of such Guarantor (or any other Guarantor) including the right to claim for any deficiency. For greater certainty, the Lender may exercise any right or remedy hereunder with respect to any Guarantor or any combination of Guarantors from time to time in accordance with this Agreement, and need not (but may) exercise the remedies hereunder with respect to all Guarantor collectively.
- (i) Any receiver appointed by the Lender with respect to any Guarantor or its Collateral is vested with the rights and remedies which could have been exercised by the Lender in respect of such Guarantor or its 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 Lender provided such remuneration is on reasonable terms.

Any receiver appointed by the Lender with respect to any Guarantor or its Collateral will act as agent for the Lender for the purposes of taking possession of

such Collateral, but otherwise and for all other purposes (except as provided below), as agent for such Guarantor. The receiver may sell, lease, or otherwise dispose of Collateral of such Guarantor as agent for such Guarantor or as agent for the Lender as the Lender may determine in its discretion. Each Guarantor agrees to ratify and confirm all actions of the receiver acting as agent for such Guarantor, and to release and indemnify the receiver in respect of all such actions.

The Lender, in appointing or refraining from appointing any receiver, does not incur liability to the receiver, any Guarantor or otherwise and is not responsible for any misconduct or negligence of such receiver.

- (j) Each Guarantor hereby irrevocably constitutes and appoints the Lender (and any officer of the Lender) the true and lawful attorney of such Guarantor. As the attorney of such Guarantor, the Lender has the power to exercise for and in the name of such Guarantor with full power of substitution, upon the occurrence and during the continuance of an Event of Default, any of such Guarantor's right (including the right of disposal), title and interest in and to the Collateral of such Guarantor including the execution, endorsement, delivery and transfer of such Collateral to the Lender, its nominees or transferees, and the Lender and its nominees or transferees are hereby empowered to exercise all rights and powers and to perform all acts of ownership with respect to such Collateral to the same extent as such Guarantor might do. This power of attorney is irrevocable, is coupled with an interest, has been given for valuable consideration (the receipt and adequacy of which is acknowledged) and survives, and does not terminate upon, the bankruptcy, dissolution, winding up or insolvency of any Guarantor. This power of attorney extends to and is binding upon each Guarantor's successors and permitted assigns. Each Guarantor authorizes the Lender to delegate in writing to another Person any power and authority of the Lender under this power of attorney as may be necessary or desirable in the opinion of the Lender, and to revoke or suspend such delegation.
- (k) Without prejudice to the ability of the Lender to dispose of the Collateral of such Guarantor in any manner which is commercially reasonable, and subject always to the provisions of the PPSA and other Applicable Laws, each Guarantor acknowledges that:
  - (i) the Collateral of such Guarantor may be disposed of in whole or in part;
  - (ii) the Collateral of such Guarantor may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
  - (iii) any assignee of such Collateral may be the Lender or a customer of any such Person;

- (iv) any sale conducted by the Lender will be at such time and place, on such notice and in accordance with such procedures as the Lender, in its sole discretion, may deem advantageous;
  - (v) the Collateral of such Guarantor 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;
  - (vi) a disposition of the Collateral of such Guarantor may be on such terms and conditions as to credit or otherwise as the Lender, in its sole discretion, may deem advantageous; and
  - (vii) the Lender may establish an upset or reserve bid or price in respect of the Collateral of such Guarantor.
- (l) No Person dealing with the Lender or an agent or receiver is required to determine (i) whether the Security Interest granted by any Guarantor 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 Lender by any Guarantor, (iv) the necessity or expediency of the stipulations and conditions subject to which any sale or lease is made, (v) the propriety or regularity of any sale or other dealing by the Lender with any Collateral, or (vi) how any money paid to the Lender has been applied.

Any bona fide purchaser of all or any part of the Collateral of any Guarantor from the Lender or any receiver or agent will hold such Collateral absolutely, free from any claim or right of whatever kind, including any equity of redemption, of such Guarantor, which it specifically waives (to the fullest extent permitted by law) as against any such purchaser together with all rights of redemption, stay or appraisal which such Guarantor has or may have under any rule of law or statute now existing or hereafter adopted.

10. Representations, Warranties and Covenants. Each Guarantor represents and warrants and covenants and agrees, acknowledging and confirming that the Lender is relying on such representations, warranties, covenants and agreements, that:

- (a) It is a corporation incorporated and existing under the laws of Alberta.

- (b) It has the corporate power to (i) own, lease and operate its properties and assets and carry on its business as now being conducted by it, and (ii) enter into and perform its obligations under this Agreement.
- (c) The execution and delivery by it and the performance by it under, and compliance with the terms, conditions and provisions of, this Agreement:
  - (i) do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) constitute or result in a violation or breach of, or conflict with, or allow any other Person to exercise any rights under, any of the terms or provisions of its constating documents or by-laws;
  - (ii) do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) constitute or result in a breach or violation of, or conflict with or allow any other Person to exercise any rights under, any of the terms or provisions of any contracts, leases or instruments to which it is a party or pursuant to which any of its assets or property may be affected; and
  - (iii) do not and will not result in the violation of any law, regulation or rule or any judgment, injunction, order, writ, decision, ruling or award which is binding on it.
- (d) Each of its authorized capital and its issued capital is set out opposite its name in the columns titled "authorized capital" and "issued capital", respectively, on Schedule "B". All issued and outstanding shares in its capital have been duly issued and are outstanding as fully paid and non-assessable. The registered and beneficial owners of the shares in its capital are as set out opposite its name in the column titled "Legal and Beneficial Owner" on Schedule "B", and each such shareholder has a good title, free and clear of all Security Interests other than those restrictions on transfer, if any, contained in the articles of such Guarantor.
- (e) This Agreement has been duly executed and delivered by it and constitutes legal, valid and binding agreements of it enforceable against it in accordance with its terms, subject only to any limitation under Applicable Laws relating to (i) bankruptcy, insolvency, arrangement and other laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies.
- (f) Schedule "D" sets out such Guarantor's place of business or, if more than one, such Guarantor's chief executive office. Such place of business or chief executive office, as the case may be, has been located at such address for the 60 days immediately preceding the date of this Agreement. Schedule "D" also sets out the address at which the books and records of such Guarantor are located, the address at which senior management of such Guarantor are located and conduct their

deliberations and make their decisions with respect to the business of such Guarantor and the address from which the invoices and accounts of such Guarantor are issued. Such Guarantor will not change the location of any of these items, people or addresses without providing at least 30 days prior written notice to the Lender. Except for sales of inventory made in the ordinary course of business, the Collateral of such Guarantor has been kept for the 60 days immediately preceding the date of this Agreement and will be kept at those locations listed on Schedule "D", and such Guarantor will not remove the Collateral from such locations, without providing at least 30 days prior written notice to the Lender, provided that Collateral may be moved to another location as long as such other location is in a jurisdiction in which the Lender has a valid and perfected first ranking security interest in the Collateral. Such Guarantor will not change its name in any manner without providing at least 30 days prior written notice to the Lender.

- (g) Such Guarantor will not sell, assign, convey, exchange, lease, release or abandon, or otherwise dispose of, any of its Collateral except as (a) expressly permitted in the Debenture, (b) consented to by the Lender or (c) such sale, assignment, conveyance, exchange, lease, release, abandonment or other disposition is of inventory made in the ordinary course of business.
- (h) Such Guarantor will not, without first obtaining the prior written consent of the Lender:
  - (i) create, grant, incur, or suffer to exist, any Security Interest on its Collateral, except for Security Interests permitted by the Debenture (which for certainty include Permitted Encumbrances) attaching to or affecting any of the Collateral, including, for certainty, any Collateral which is investment property; or
  - (ii) grant control over any investment property to any third party other than the Lender.
- (i) None of the account debtors in respect of any accounts, chattel paper or intangibles and none of the obligors in respect of any instruments included in the Collateral of such Guarantor is (i) a governmental entity, or (ii) in the case of any account in excess of \$100,000, is located outside of Canada or the United States of America.
- (j) Schedule "B" lists all securities and instruments owned or held by such Guarantor and all securities accounts of such Guarantor on the date of this Agreement. Schedule "B" sets out, for each class of securities listed with respect to such Guarantor in the schedule, the percentage amount that such securities represent of all issued and outstanding securities of that class and whether the securities are certificated securities or uncertificated securities.

- (k) Securities that are Collateral of such Guarantor have been, where applicable, duly and validly issued and acquired and are fully paid and non-assessable.
- (l) No Person has or will have any written or oral option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement to acquire any right or interest in any of the securities that are Collateral of such Guarantor.
- (m) The instruments that are Collateral of such Guarantor constitute, where applicable, the legal, valid and binding obligation of the obligor under such instruments, enforceable in accordance with their terms, subject only to any limitation under Applicable Laws relating to (i) bankruptcy, insolvency, fraudulent conveyance, arrangement, reorganization or creditors' rights generally, and (ii) the discretion that a court may exercise in the granting of equitable remedies.
- (n) Except as described in Schedule "C", no transfer restrictions apply to the securities and instruments listed with respect to such Guarantor in Schedule "C". Such Guarantor has delivered to the Lender copies of all shareholder, partnership or trust agreements applicable to each issuer of such securities and instruments which are in such Guarantor's possession.
- (o) The pledge and assignment of the Collateral of such Guarantor consisting of investment property pursuant to this Agreement creates a valid and perfected first ranking security interest in such Collateral and the proceeds of it. Such Collateral and the proceeds from it are not subject to any prior Security Interest or any agreement purporting to grant to any third party a Security Interest on or control of the property or assets of such Guarantor which would include such Collateral. The Lender is entitled to all of the rights, priorities and benefits afforded by the PPSA or other relevant personal property security legislation as enacted in any relevant jurisdiction to perfect security interests in respect of such Collateral.
- (p) Such Guarantor does not know of any claim to or interest in any of its Collateral consisting of investment property, including any adverse claims. If any Person asserts any Security Interest or adverse claim against any investment property that forms part of the Collateral of such Guarantor, such Guarantor will promptly notify the Lender.
- (q) Such Guarantor has not consented to, will not consent to, and has no knowledge of any control by any Person with respect to any Collateral of such Guarantor other than the Lender.
- (r) Such Guarantor will notify the Lender immediately upon becoming aware of any change in an "issuer's jurisdiction" in respect of any uncertificated securities that are Collateral of such Guarantor or any change in a "securities intermediary's



jurisdiction" in respect of any security entitlements, financial assets or securities accounts that are Collateral of such Guarantor.

- (s) Such Guarantor will not, after the date of this Agreement, establish and maintain any securities accounts with any securities intermediary unless (1) it gives the Lender 30 days' prior written notice of its intention to establish such new securities account and (2) such securities intermediary is reasonably acceptable to the Lender.
- (t) Such Guarantor agrees that to the extent any interest in a partnership or limited liability company held now or in the future by such Guarantor:
  - (i) is a "security" within the meaning of the STA or other applicable securities transfer legislation, each such interest shall at all times hereafter continue to be a security;
  - (i) is not a "security" within the meaning of the STA or other applicable securities transfer legislation, such Guarantor shall ensure that (x) the terms of the interest do not and will not provide that the interest is a "security" within the meaning of the STA or other applicable securities transfer legislation and (y) the interest is not represented by a certificate, in each case, unless such Guarantor provides prior written notification to the Lender and such interest is thereafter represented by a certificate which shall be subject to the provisions of Section 3(k).
- (u) Such Guarantor will maintain books and records pertaining to the Collateral of such Guarantor in such detail, form and scope as the Lender reasonably requires, and keep all originals of the chattel paper which evidence accounts at locations specified with respect to such Guarantor on Schedule "C". Such Guarantor will immediately notify the Lender if any account in excess of \$100,000 arises out of contracts with any governmental entity, and execute any instruments and take any steps required by the Lender in order that all moneys due or to become due under the contract are assigned to the Lender and notice of such assignment is given to the governmental entity. Such Guarantor will also immediately notify the Lender if any account in excess of \$100,000 is with an account debtor located outside of Canada or the United States of America.
- (v) Such Guarantor will grant to the Lender security interests, assignments, mortgages, charges, hypothecations and pledges in such property and undertaking of such Guarantor that is not subject to a valid and perfected first ranking security interest (subject only to Security Interests permitted by the Debenture) constituted by this Agreement, in each relevant jurisdiction as determined by the Lender. Such Guarantor will perform all acts, execute and deliver all agreements, documents and instruments and take such other steps as are requested by the Lender at any time to register, file, signify, publish, perfect, maintain, protect, and enforce the Security Interest granted by such Guarantor including: (i) executing,

recording and filing of financing or other statements, and paying all taxes, fees and other charges payable, (ii) placing notations on its books of account to disclose the Security Interest granted by such Guarantor, (iii) delivering acknowledgements, confirmations and subordinations that may be necessary to ensure that this Agreement constitutes a valid and perfected first ranking security interest (subject only to Security Interests permitted by the Debenture), (iv) executing and delivering any certificates, endorsements, instructions, agreements, documents and instruments that may be required under the STA and (v) delivering opinions of counsel in respect of matters contemplated by this paragraph. The documents and opinions contemplated by this paragraph must be in form and substance satisfactory to the Lender.

- (w) Each representation and warranty made by the Issuer under the Debenture, to the extent it pertains to such Guarantor or any of its Subsidiaries, the business of such Guarantor or any of its Subsidiaries or the other Transaction Documents to which such Guarantor or any of its Subsidiaries is a party, is true, accurate and complete in all respects.
- (x) Until the Secured Obligations and all other amounts owing under this Agreement are paid or repaid in full, the Secured Obligations are performed in full and the Lender have no obligations under this Agreement, the Debenture or the other Transaction Documents, each Guarantor covenants and agrees that it will take, or will refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained in the Debenture, and so that no Default or Event of Default, is caused by the actions of such Guarantor or any of its Subsidiaries.

#### 11. General.

- (a) 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 Lender.
- (b) Successors of the Issuer. This Agreement will not be revoked by any change in the constitution of the Issuer. This Agreement extends to any Person, firm or corporation acquiring, or from time to time carrying on, the business of the Issuer.
- (c) Additional Guarantors. Additional Persons may from time to time after the date of this Agreement become Guarantors under this Agreement by executing and delivering to the Lender a supplemental agreement (a "Supplement") to this Agreement in substantially the form attached as Schedule "A" to this Agreement. Effective from and after the date of the execution and delivery by any Person to the Lender of a Supplement:
  - (i) such Person shall be, and shall be deemed for all purposes to be, a Guarantor under this Agreement with the same force and effect, and



subject to the same agreements, representations, guarantees, indemnities, liabilities, obligations and Security Interest, as if such Person were, effective as of such date, an original signatory to this Agreement as a Guarantor; and

- (ii) all property and undertaking of such Person, now owned or hereafter acquired, and all property and undertaking in which such Person now has or hereafter acquires an interest shall be, and shall be deemed for all purposes to be, "Collateral" of such Person for the purposes of this Agreement and subject to the "Security Interest" granted by such Person in accordance with the provisions of this Agreement as security for the due payment and performance of the "Secured Obligations".

The execution and delivery of a Supplement by any additional Person shall not require the consent of any other Guarantor and all of the liabilities and obligations of each Guarantor under this Agreement, and the Security Interest of each Guarantor, shall remain in full force and effect notwithstanding the addition of any additional Guarantor to this Agreement.

- (d) Discharge. The Security Interest granted by any Guarantor will not be discharged except by a written release or discharge signed by the Lender. Each Guarantor will be entitled to require a discharge by notice to the Lender upon, but only upon, (i) full and indefeasible payment and performance of the Secured Obligations of such Guarantor and (ii) the Lender having no obligations under the Debenture or the other Transaction Documents. The release or discharge of any Guarantor by the Lender shall not release or discharge any other Guarantor from its obligations hereunder. Upon discharge of the Security Interest granted by any Guarantor and at the request and expense of such Guarantor, the Lender will execute and deliver to such Guarantor such financing statements and other documents or instruments as such Guarantor may reasonably require and the Lender will redeliver to such Guarantor, or as such Guarantor may otherwise direct the Lender, any Collateral of such Guarantor in its possession.
- (e) No Merger, Survival of Representations and Warranties. This Agreement does not operate by way of merger of any of the Secured Obligations of any Guarantor and no judgment recovered by the Lender will operate by way of merger of, or in any way affect, the Security Interest granted by any Guarantor, which is in addition to, and not in substitution for, any other security now or hereafter held by the Lender in respect of the Secured Obligations of such Guarantor. The representations, warranties and covenants of each Guarantor in this Agreement survive the execution and delivery of this Agreement. Notwithstanding any investigation made by or on behalf of the Lender, such covenants, representations and warranties continue in full force and effect.
- (f) Further Assurances.

- (ii) Each Guarantor will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Lender may:
  - A. request to give full effect to this Agreement and to perfect and preserve the rights and powers of the Lender under this Agreement, including any acknowledgements and confirmations of this Agreement; and
  - B. may require and take all further steps relating to the Collateral of such Guarantor or any other property or assets of such Guarantor that the Lender may require for (i) protecting the Collateral of such Guarantor, (ii) perfecting, preserving and protecting the Security Interest granted by such Guarantor, and (iii) exercising all powers, authorities and discretions conferred upon the Lender. After the Security Interest granted by any Guarantor becomes enforceable, such Guarantor will do all acts and things and execute and deliver all documents and instruments that the Lender may require for facilitating the sale or other disposition of the Collateral of such Guarantor in connection with its realization.
- (iii) Each Guarantor acknowledges and confirms that it has established its own adequate means of obtaining from the Issuer on a continuing basis all information desired by such Guarantor concerning the financial condition of the Issuer and that it will look to the Issuer and not to the Lender, in order to keep adequately informed of changes in the Issuer's financial condition.
- (g) Successors and Assigns. This Agreement will enure to the benefit of, and be binding on, the Guarantors and their respective successors and permitted assigns, and will enure to the benefit of, and be binding on, the Lender and its respective successors and assigns. No Guarantor may assign this Agreement, or any of its rights or obligations under this Agreement, without the prior written consent of the Lender.
- (h) Amalgamation. Each Guarantor acknowledges and agrees that in the event it amalgamates with any other corporation or corporations, it is the intention of the parties that the Security Interest granted by such Guarantor (i) extends to: (A) all of the property and undertaking that any of the amalgamating corporations then owns, (B) all of the property and undertaking that the amalgamated corporation thereafter acquires, (C) all of the property and undertaking in which any of the amalgamating corporations then has any interest and (D) all of the property and undertaking in which the amalgamated corporation thereafter acquires any interest; and (ii) secures the payment and performance of all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or

otherwise payable by each of the amalgamating corporations and the amalgamated corporation to the Lender, or any one or more of them, in any currency, under, in connection with or pursuant to the Debenture, and whether incurred alone or jointly with another or others and whether as principal, guarantor or surety and whether incurred prior to, at the time of or subsequent to the amalgamation. The Security Interest granted by such Guarantor attaches to the additional collateral at the time of amalgamation and to any collateral thereafter owned or acquired by the amalgamated corporation when such collateral becomes owned or is acquired. Upon any such amalgamation, the defined term "Guarantor" refers to, collectively, each of the amalgamating corporations and the amalgamated corporation, the defined term "Collateral" means, with respect to such Guarantor, all of the property and undertaking and interests described in (i) above, and the defined term "Secured Obligations" means, with respect to such Guarantor, the obligations described in (ii) above.

- (i) Amendment. This Agreement may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder. This Guarantor may only be amended, supplemented or otherwise modified by written agreement executed by the Lender and the Guarantor affected by such amendment, supplement or other modification.
- (j) Waivers, etc.
  - (iv) No consent or waiver by the Lender in respect of this Agreement is binding unless made in writing and signed by an authorized officer of the Lender. Any consent or waiver given under this Agreement is effective only in the specific instance and for the specific purpose and with respect to the specific Guarantor for which it is given. No waiver of any of the provisions of this Agreement constitutes a waiver of any other provision.
  - (v) A failure or delay on the part of the Lender in exercising a right under this Agreement does not operate as a waiver of, or impair, any right of the Lender however arising. A single or partial exercise of a right with respect to any Guarantor on the part of the Lender does not preclude any other or further exercise of that right or the exercise of any other right by the Lender with respect to such Guarantor or any other Guarantor.
- (k) Severability. If any court of competent jurisdiction from which no appeal exists or is taken, determines that any provision of this Agreement is illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.
- (l) Application of Proceeds. All monies collected by the Lender under this Agreement will be applied as provided in the Debenture.

- (m) Acknowledgement of Receipt/Waiver. Each Guarantor acknowledges receipt of an executed copy of this Agreement and, to the extent permitted by Applicable Laws, waives the right to receive a copy of any financing statement, financing change statement or verification statement in respect of any registered financing statement or financing change statement prepared, registered or issued in connection with this Agreement.
- (n) Governing law; Attornment. This Agreement will be governed by and construed in accordance with the laws of the Province of Alberta. Without prejudice to the ability of the Lender, to enforce this Agreement in any other proper jurisdiction, each Guarantor irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of such province. To the extent permitted by Applicable Laws, each Guarantor irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of such Province.
- (o) Notice. Any notice, demand, consent, approval or other communication from any Guarantor to the Lender, or vice versa, will be in writing and will be sufficiently given or made if given in the manner prescribed in the Debenture.
- (p) Schedule. The schedules attached to this Agreement form an integral part of it for all purposes of it.
- (q) Conflict. In the event of any conflict between the provisions of this Agreement and the provisions of the Debenture and the other Transaction Documents which cannot be resolved by both provisions being complied with, the provisions contained in the Debenture will prevail to the extent of such conflict.
- (r) Counterparts. This Agreement, or any amendment to it, may be executed in multiple counterparts (including by facsimile, portable document format, or other electronic means), each of which shall be deemed to be an original agreement. All counterparts shall be construed together and shall constitute one and the same agreement. Any delivery of an executed copy of this Agreement by way of telecopy or facsimile or other electronic means shall constitute delivery.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF each of the Guarantors have executed this Agreement as of the date first above written.

KEMEX LTD.

By: 

Name: Ken James

Title: President & CEO

KEMEX TECHNOLOGIES LTD.

By: 

Name: Ken James

Title: President & CEO

INSITE TECHNOLOGIES LTD.

By: 

Name: Ken James

Title: President & CEO

**SCHEDULE "A"**  
**FORM OF SUPPLEMENTAL AGREEMENT**

Supplemental Agreement No. ● dated ● to the Guarantee and Security Agreement (as hereinafter defined).

**RECITALS:**

- (a) Reference is made to (i) the third amended and restated secured redeemable convertible debenture dated ●, 2015 and due December 31, 2016 issued by Oak Point Energy Ltd., as issuer, to Private Equity Oak LP, as lender (such agreement, as it may be amended, supplemented or otherwise modified or restated from time to time, the "**Debenture**"); and (ii) the guarantee and security agreement dated ●, 2015 granted by the Persons party thereto from time to time as Guarantors to and in favour of the Lender (such agreement, as it may be amended, supplemented or otherwise modified or restated from time to time, the "**Guarantee and Security Agreement**");
- (b) Section 11(c) of the Guarantee and Security Agreement provides that additional Persons may from time to time after the date of the Guarantee and Security Agreement become Guarantors under the Guarantee and Security Agreement by executing and delivering to the Lender a supplemental agreement to the Guarantee and Security Agreement in the form of this Supplement;
- (c) It is a condition to the Lender continuing to extend credit to the Issuer under the Debenture that the undersigned (the "**New Guarantor**") become a Guarantor under the Guarantee and Security Agreement by executing and delivering this Supplement to the Lender.

**NOW THEREFORE**, for valuable consideration, the receipt and sufficiency of which are acknowledged, the New Guarantor covenants and agrees with the Lender as follows:

- 1. The New Guarantor has received a copy of, and has reviewed, the Guarantee and Security Agreement and is executing and delivering this Supplement to the Lender pursuant to Section 11(c) of the Guarantee and Security Agreement.
- 2. Effective from and after the date this Supplement is executed and delivered to the Lender by the New Guarantor:
  - (a) the New Guarantor is, and shall be deemed for all purposes to be, an Guarantor under the Guarantee and Security Agreement with the same force and effect, and subject to the same agreements, representations, indemnities, liabilities, obligations and Security Interest, as if the New Guarantor was, effective as of the date of this Supplement, an original signatory to the Guarantee and Security Agreement as an Guarantor; and

- (b) all property and undertaking of the New Guarantor, now owned or hereafter acquired, and all property and undertaking in which the New Guarantor now has or hereafter acquires an interest, is, and shall be deemed for all purposes to be, Collateral of such New Guarantor for the purposes of the Guarantee and Security Agreement and subject to the Security Interest granted by the New Guarantor in accordance with the provisions of the Guarantee and Security Agreement as security for the due payment and performance of the Secured Obligations of the New Guarantor, including all debts, liabilities and obligations from to time owing by the New Guarantor to the Lender under, in connection with or pursuant to the Debenture and the Guarantee and the Security Agreement to which such Person is a party.
- 3. In furtherance of the foregoing, the New Guarantor:
  - (a) hereby irrevocably and unconditionally guarantees to the Lender the due and punctual payment, and the due performance, whether at stated maturity, by acceleration or otherwise, of the Secured Obligations; and
  - (b) grants to the Lender a security interest in, and assigns, mortgages, charges, hypothecates and pledges to the Lender all of the property and undertaking of the New Guarantor now owned or hereafter acquired and all of the property and undertaking in which the New Guarantor now has or hereafter acquires any interest, including all of its present and after-acquired personal property, as security for the due payment and performance of the Secured Obligations of the New Guarantor, including all debts, liabilities and obligations from to time owing by the New Guarantor to the Lender under, in connection with or pursuant to the Debenture and the Guarantee and Security Agreement, subject to the limitations set out in the Guarantee and Security Agreement.
- 4. Each reference to a Guarantor in the Guarantee and Security Agreement shall be deemed to include the New Guarantor. The terms and provisions of the Guarantee and Security Agreement are incorporated by reference in this Supplement.
- 5. The New Guarantor represents and warrants to the Lender that (a) this Supplement has been duly authorized, executed and delivered by the New Guarantor and constitutes a legal, valid and binding obligation of the New Guarantor enforceable against the New Guarantor in accordance with its terms, (b) each of the representations and warranties made or deemed to have been made by it under the Guarantee and Security Agreement as an Guarantor are true and correct on and as of the date of this Supplement, and (c) Schedules A, B and C to this Supplement accurately set out all information which would have been required to be disclosed on Schedules B, C and D to the Guarantee and Security Agreement pursuant to the terms of the Guarantee and Security Agreement had the New Guarantor been an Guarantor on the date of the execution and delivery of the Guarantee and Security Agreement (it being understood and agreed, however, that the information furnished pursuant hereto by the New Guarantor is accurate as of the date of this Supplement rather than the date of the Guarantee and Security Agreement).



6. Except as expressly supplemented hereby, the Guarantee and Security Agreement shall remain in full force and effect, unamended.
7. Capitalized terms used but not otherwise defined in this Supplement have the respective meanings given to such terms in the Guarantee and Security Agreement including the definitions of terms incorporated in the Guarantee and Security Agreement by reference to other agreements. In this Supplement, the words "including", "includes" and "include" mean "including (or includes or include) without limitation".
8. This Supplement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.
9. This Supplement and the Guarantee and Security Agreement shall be binding upon the New Guarantor and its successors. The New Guarantor shall not assign its rights and obligations under this Supplement or the Guarantee and Security Agreement or any interest in this Supplement or the Guarantee and Security Agreement without the prior written consent of the Lender.
10. Transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this Supplement.

**IN WITNESS OF WHICH** this Supplement has been duly executed and delivered by the New Guarantor as of the date indicated on the first page of this Supplement.

**[NEW OBLIGOR]**

By:

\_\_\_\_\_  
Name:

Title:



**SCHEDULE "B"**  
**AUTHORIZED AND ISSUED CAPITAL**

**KEMEX LTD.**

Authorized Capital	Issued Capital	Legal and Beneficial Owner
An unlimited number of Class "A" Common Shares and an unlimited number Preferred Shares	78,460	Oak Point Energy Ltd.

**KEMEX TECHNOLOGIES LTD.**

Authorized Capital	Issued Capital	Legal and Beneficial Owner
An unlimited number of Common Shares, an unlimited number of First Preferred Shares, issuable in series and an unlimited number of Second Preferred Shares	100 Common Shares	Kemex Ltd.

**INSITE TECHNOLOGIES LTD.**

Authorized Capital	Issued Capital	Legal and Beneficial Owner
An unlimited number of Common Shares, an unlimited number of First Preferred Shares, issuable in series, an unlimited number of Second Preferred Shares and one Special Share	94,900 Common Shares	Kemex Ltd.
	1 Special Share	Oak Point Energy Ltd.
	100 Common Shares	Kemex Technologies Ltd.

**SCHEDULE "C"**  
**INSTRUMENTS AND SECURITIES**

**KEMEX LTD.**

**SECURITIES**

Issuer	Class of Securities	Number of Securities	% of issued Securities	Certificate Number
Kemex Technologies Ltd.	Common Shares	100	100%	1
InSite Technologies Ltd.	Common Shares	94,900	94.99%	2

**SECURITIES ACCOUNTS**

Nil

**INSTRUMENTS**

Nil

**TRANSFER RESTRICTIONS**

Issuer	Restriction
Kemex Technologies Ltd.	No shares shall be transferred without the approval of the directors, provided that approval of any transfer of shares may be given as aforesaid after the transfer has been effected upon the records of the corporation.
InSite Technologies Ltd.	No shares shall be transferred without the approval of the directors, provided that approval of any transfer of shares may be given as aforesaid after the transfer has been effected upon the records of the corporation.

**KEMEX TECHNOLOGIES LTD.**

**SECURITIES**

Issuer	Class of Securities	Number of Securities	% of issued Securities	Certificate Number
InSite Technologies Ltd.	Common Shares	100	0.01%	1

**SECURITIES ACCOUNTS**

Nil

**INSTRUMENTS**

Nil

**TRANSFER RESTRICTIONS**

Issuer	Restriction
InSite Technologies Ltd.	No shares shall be transferred without the approval of the directors, provided that approval of any transfer of shares may be given as aforesaid after the transfer has been effected upon the records of the corporation.

**INSITE TECHNOLOGIES LTD.**

**SECURITIES**

Issuer	Class of Securities	Number of Securities	% of issued Securities	Certificate Number
Nil	Nil	Nil	Nil	Nil

**SECURITIES ACCOUNTS**

Nil

**INSTRUMENTS**

Nil

**TRANSFER RESTRICTIONS**

N/A

**SCHEDULE "D"**  
**LOCATIONS**

**Kemex Ltd.**

Chief Executive Office	Locations of Collateral	If different, location of books and records, senior management, address from which Invoices and Accounts are sent
Suite 300, 222 - 3rd Avenue SW Calgary, Alberta, T2P 0B4	Suite 300, 222 - 3rd Avenue SW Calgary, Alberta, T2P 0B4	Same

**Kemex Technologies Ltd.**

Chief Executive Office	Locations of Collateral	If different, location of books and records, senior management, address from which Invoices and Accounts are sent
Suite 300, 222 - 3rd Avenue SW Calgary, Alberta, T2P 0B4	Suite 300, 222 - 3rd Avenue SW Calgary, Alberta, T2P 0B4	Same

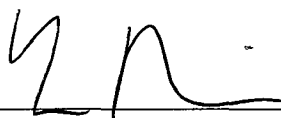
**InSite Technologies Ltd.**

Chief Executive Office	Locations of Collateral	If different, location of books and records, senior management, address from which Invoices and Accounts are sent
Suite 300, 222 - 3rd Avenue SW Calgary, Alberta, T2P 0B4	Suite 300, 222 - 3rd Avenue SW Calgary, Alberta, T2P 0B4	Same

# Exhibit "H"

This is Exhibit "H" to the  
Affidavit of Kate Malcolm

Sworn April 11, 2017



Commissioner for taking affidavits

Search ID#: Z08999058

**Transmitting Party**

STIKEMAN ELLIOTT LLP

4300 BANKERS HALL WEST-888 3 ST SW  
CALGARY, AB T2P 5C5

Party Code: 50073519  
Phone #: 403 266 9000  
Reference #: 125561-1003

Search ID #: Z08999058

Date of Search: 2017-Apr-10

Time of Search: 16:07:36

**Business Debtor Search For:**

1NSITE TECHNOLOGIES LTD.

Exact Result(s) Only Found

**NOTE:**

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

Be sure to read the reports carefully.



Search ID#: Z08999058

**Business Debtor Search For:**

1NSITE TECHNOLOGIES LTD.

Search ID #: Z08999058

Date of Search: 2017-Apr-10

Time of Search: 16:07:36

Registration Number: 15092810554

Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Sep-28

Registration Status: Current

Expiry Date: 2020-Sep-28 23:59:59

Exact Match on: Debtor

No: 3

**Amendments to Registration**

17012026501

Amendment

2017-Jan-20

**Debtor(s)**

**Block**

**Status**

1 KEMEX LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Block**

**Status**

2 KEMEX TECHNOLOGIES LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Block**

**Status**

3 1NSITE TECHNOLOGIES LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Block**

**Status**

4 OAK POINT ENERGY LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Secured Party / Parties**

**Block**

**Status**



Search ID#: Z08999058

1 PRIVATE OAK EQUITY LP  
1100 - 10830 JASPER AVENUE  
EDMONTON, AB T5J 2B3

Deleted by  
17012026501

**Block**

**Status**

2 PRIVATE EQUITY OAK LP  
1100 - 10830 JASPER AVENUE  
EDMONTON, AB T5J 2B3

Current by  
17012026501

**Collateral: General**

**Block**   **Description**

**Status**

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

Current

Search ID#: Z08999058

**Business Debtor Search For:**

1NSITE TECHNOLOGIES LTD.

Search ID #: Z08999058

Date of Search: 2017-Apr-10

Time of Search: 16:07:36

Registration Number: 15092810577

Registration Type: LAND CHARGE

Registration Date: 2015-Sep-28

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor

No: 3

**Amendments to Registration**

17012026530

Amendment

2017-Jan-20

**Debtor(s)**

**Block**

**Status**

1 KEMEX LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Block**

**Status**

2 KEMEX TECHNOLOGIES LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Block**

**Status**

3 1NSITE TECHNOLOGIES LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Block**

**Status**

4 OAK POINT ENERGY LTD.  
300, 222 - 3RD AVE SW  
CALGARY, AB T2P 0B4

Current

**Secured Party / Parties**

**Block**

**Status**

Search ID#: Z08999058

1 PRIVATE OAK EQUITY LP  
1100 - 10830 JASPER AVENUE  
EDMONTON, AB T5J 2B3

Deleted by  
17012026530

**Block**

**Status**

2 PRIVATE EQUITY OAK LP  
1100 - 10830 JASPER AVENUE  
EDMONTON, AB T5J 2B3

Current by  
17012026530

Result Complete