

COURT FILE NO. 1701-02201  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT THE BANK OF NOVA SCOTIA  
RESPONDENT VIRGINIA HILLS OIL CORP.  
DOCUMENT AFFIDAVIT  
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
McMILLAN LLP  
#1700, 421 - 7<sup>th</sup> Avenue SW  
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Attention: Adam C. Maerov  
adam.maerov@mcmillan.ca

Kourtney Rylands  
kourtney.rylands@mcmillan.ca

File No. 247208

### AFFIDAVIT OF ROCCO FABIANO

Sworn on February 10, 2017

I, Rocco Fabiano, of the City of Toronto, in the Province of Ontario, **SWEAR AND SAY THAT:**

1. I am a Vice President of Special Accounts Management with The Bank of Nova Scotia ("BNS"). I am presently responsible for administering the accounts of Virginia Hills Oil Corp. ("**Virginia Hills**" or the "**Company**") and as such, I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I verily believe the same to be true.

2. I have reviewed the business records of BNS relevant to the within proceedings and application and have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit.
3. I am authorized by BNS to make this Affidavit on its behalf.

***Virginia Hills Oil Corp.***

4. Virginia Hills is a body corporate incorporated according to the laws of the Province of Alberta and extra-provincially registered in the Province of Saskatchewan. Copies of the Alberta and Saskatchewan corporate registry searches of Virginia Hills dated February 7, 2017, are attached hereto as **Exhibits "A"** and **"B"** respectively.
5. Virginia Hills is publically traded on the TSX Venture Exchange under the symbol "VHO".
6. Virginia Hills is engaged in the acquisition, exploration, and development of oil and gas properties in western Canada.
7. Virginia Hills' corporate head office is located in Calgary, Alberta.

***Dolomite Energy Inc.***

8. Virginia Hills has one subsidiary, Dolomite Energy Inc. ("**Dolomite**"), which is an oil and gas producer.
9. Dolomite was incorporated under the laws of the Province of Alberta on April 27, 2015. A copy of the Alberta corporate registry search of Dolomite dated February 7, 2017, is attached hereto as **Exhibit "C"**.
10. Virginia Hills is the sole shareholder of Dolomite.
11. I am advised by representatives of Virginia Hills that Dolomite is indebted to Alberta Treasury Branches ("**ATB**") pursuant to an Amended and Restated Commitment Letter dated November 9, 2015 (the "**Commitment Letter**"), as may be amended, supplemented or restated from time to time.

### *The Credit Agreement*

12. On April 15, 2015, Virginia Hills entered into a Credit Agreement (the “**Original Credit Agreement**”) with BNS as agent (the “**Agent**”) and other financial institutions, including BNS, named from time to time in the Credit Agreement (as defined below) in their capacities as lenders (the “**Lenders**”), which was amended by a First Amending Agreement dated February 18, 2016 (the “**First Amending Agreement**”), and a Second Amending Agreement dated July 29, 2016 (the “**Second Amending Agreement**”). Attached hereto and marked as **Exhibits “D”, “E”, and “F”** are copies of the Original Credit Agreement without schedules, the First Amending Agreement, and the Second Amending Agreement (collectively, the “**Credit Agreement**”).
  
13. Pursuant to the Credit Agreement, the Lenders agreed to provide, and Virginia Hills agreed to accept, the following loans and credit facilities all on terms set out in the Credit Agreement and the Documents (as that term is defined in the Credit Agreement):
  - (a) Facility A in the initial principal amount of CDN \$90,000,000, which was permanently reduced to CDN \$89,500,000 on or about July 29, 2016; and
  - (b) Facility B in the initial principal amount of CDN \$7,000,000,(collectively, the “**Credit Facilities**”).
  
14. Based on my review of the records of the Agent, I believe that as of February 8, 2017, Virginia Hills was indebted to the Lenders in the amount of CAD \$96,573,457.26 (the “**Outstanding Indebtedness**”) with interest accruing thereafter at the Canadian Prime Rate (as defined in the Credit Agreement) plus 3% per annum, plus all legal and other costs and expenses payable under the Credit Agreement and the Security (as defined below).

### *The Security*

15. As security for all amounts owing from Virginia Hills to the Lenders, Virginia Hills entered into:

- (a) a Demand Debenture dated April 15, 2015 (the “**Demand Debenture**”) granting the Agent for its own benefit and on behalf of the Lenders a fixed and floating charge and general security interest over all of the present and future property and assets of Virginia Hills. A copy of the Demand Debenture without schedules is attached hereto as **Exhibit “G”**; and
  - (b) a Securities Pledge Agreement dated April 27, 2015 (the “**Securities Pledge**”), granting the Agent for its own benefit and on behalf of the Lenders a security interest in all Securities (as defined in the Securities Pledge) issued and outstanding in the capital of Dolomite now owned or hereafter acquired by Virginia Hills and all substitutions and proceeds derived thereof. A copy of the Securities Pledge is attached hereto as **Exhibit “H”**,
- (collectively, the “**Security**”).
- 16. Among other things, the Security provides for the appointment of a receiver and manager upon the occurrence of and during the continuance of any default by Virginia Hills under the terms of the Credit Agreement.
  - 17. The Agent registered the security interests created by the Security against Virginia Hills in the personal property registries of Alberta and Saskatchewan. Attached to my Affidavit as **Exhibits “I”** and “**J**” are copies of the search results from the Alberta Personal Property Registry and the Saskatchewan Personal Property Registry, each current to February 7, 2017, showing the registrations against Virginia Hills.
  - 18. The Agent registered the security interest created by the Demand Debenture by registering a security notice (the “**Security Notice**”) against Virginia Hills at the Alberta Department of Energy which grants the Agent, on behalf of itself and the Lenders, fixed charges over the Crown mineral rights listed therein. Attached hereto as **Exhibit “K”** is a copy of the Security Notice.
  - 19. The Agent registered the security interest created by the Demand Debenture at Indian and Northern Affairs Canada by registering a notice of security interest (the “**Indian Affairs Security Notice**”) which grants the Agent, on behalf of itself and the Lenders, a security

interest in and to all petroleum, natural gas and related hydrocarbons listed in Schedule “A” annexed to the Indian Affairs Security Notice. Attached hereto as **Exhibit “L”** is a copy of the Indian Affairs Security Notice.

20. Virginia Hills is the registered owner of the following lands:

PLAN 8421791  
BLOCK B  
LOT3  
EXCEPTING THEREOUT ALL MINES AND MINERALS (the “**Virginia Hills Lands**”)

21. Attached hereto as **Exhibit “M”** is the Alberta Land Titles Certificate of Title for the Virginia Hills Lands. The Demand Debenture was registered against title to the Virginia Hills Lands in the Alberta Lands Titles Office on or about May 4, 2015, as instrument number 152 130 071.

***Financial Difficulties and Strategic Review Process***

22. Beginning in late 2015, Virginia Hills began to experience financial difficulties, primarily due to low commodity prices and a corresponding reduction in cash flow resulting from same.
23. On February 18, 2016, the Agent, the Lenders and Virginia Hills entered into the First Amending Agreement to, among other things, provide covenant relief under the Credit Agreement.
24. On July 29, 2016, the Agent, the Lenders and Virginia Hills entered into the Second Amending Agreement to, among other things, extend the maturity date of the Credit Agreement from September 30, 2016, to January 31, 2017. This extension was granted in order to, among other things, provide Virginia Hills with additional time to review strategic alternatives and formalize a plan to repay the amounts owing to the Lenders under the Credit Facilities.
25. Concurrently with the extension of the Company’s Credit Facilities, Virginia Hills initiated a process to review strategic alternatives (the “**Review Process**”) such as the

addition of capital to further develop the potential of the Company's assets, a merger of the Company, or a sale of the Company. Virginia Hills engaged Scotia Waterous Inc. as its sole financial advisor to assist in this process.

26. As part of the Review Process Virginia Hills and its financial advisor solicited bids from various third parties for the sale of all the property, assets and undertakings of Virginia Hills and its subsidiary, Dolomite (the "Assets").
27. Virginia Hills received expressions of interest for the purchase of all of the Assets and the Company engaged in negotiations with multiple parties in an attempt to finalize such an agreement. However, an agreement for the purchase of the Assets could not be finalized before the maturity of the Credit Facilities on January 31, 2017, and has not yet been finalized.
28. The Agent is advised by representatives of Virginia Hills that negotiations for the sale of the Assets remain ongoing. The proposed receiver has advised that if it is appointed as receiver and manager it will attempt to negotiate and enter into an agreement for the sale of the Assets as part of the contemplated receivership proceedings.
29. In addition to the Credit Facilities maturing on January 31, 2017, the Company was in breach of the majority of covenants contained in the Credit Agreement. Further, as discussed below in paragraphs 33, 34 and 35, the Company does not have sufficient liquidity to continue operations in the normal course.

#### *Admission of Debt*

30. On January 31, 2017, Virginia Hills published a press release announcing that the Credit Facilities had matured and remained unpaid as of January 31, 2017 (the "Press Release"). A copy of the Press Release is attached hereto as **Exhibit "N"**.

#### *Default and Demand*

31. The failure to repay the Outstanding Indebtedness on January 31, 2017, constituted an Event of Default under the Credit Agreement and, as disclosed in the Press Release, entitled the Agent, on behalf of itself and the Lenders, to enforce the Security and appoint

a receiver to manage the affairs of Virginia Hills and complete a sale of all of the property, assets and undertakings of Virginia Hills.

32. Virginia Hills has advised the Agent that it has been pre-paying for goods and services as most of its vendor accounts are in arrears and such vendors are not prepared to grant any further credit.
33. Various suppliers of Virginia Hills have now delivered notices of their intention to cease supplying various essential goods and services to the Company.
34. Virginia Hills has advised the Agent that it requires a stay of proceedings in order to ensure the continued supply of goods and services essential to Virginia Hills' operations while the Receiver negotiates a sale of the Assets.
35. The Agent intends to instruct its counsel to deliver to Virginia Hills a demand for payment (the "**Demand**") and a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act* (the "**NITES**").
36. The Demand and NITES will require Virginia Hills to deliver payment in full of all obligations owing to the Lenders pursuant to the Credit Agreement and the Documents.

#### ***Receivership of Dolomite***

37. As disclosed in the Press Release, the failure of Virginia Hills to repay the Outstanding Indebtedness on January 31, 2017, constituted an event of default under the credit facilities of Dolomite.
38. I am advised by a representative of Virginia Hills that Dolomite has no liquidity and will require additional funding to continue operations.
39. I am advised by representatives of ATB that ATB intends to make a concurrent application to appoint A&M as Receiver over all of the property, assets and undertakings of Dolomite.

40. A consolidated receivership proceeding with respect to Virginia Hills and Dolomite will be the most expedient and efficient process to address the property of both companies, the indebtedness of the companies, and the solicitations of sale of the Assets of both Virginia Hills and Dolomite, particularly in light of:
- (a) Virginia Hills' security interest in all Securities issued and outstanding in the capital of Dolomite pursuant to the terms of the Securities Pledge;
  - (b) the fact that Dolomite has no employees, has its properties operated by Virginia Hills, and Virginia Hills provides all accounting and administrative functions for Dolomite;
  - (c) Dolomite and Virginia Hills having joint venture interests in some properties;
  - (d) the expressions of interest received by Virginia Hills to date are for the purchase of the assets of both Virginia Hills and Dolomite; and
  - (e) the support of the Agent, the Lenders, and ATB.

***Alvarez & Marsal Canada Inc. as Receiver and Manager of Virginia Hills***

41. In the circumstances, I believe that the appointment of a receiver and manager of the undertakings, property and assets of Virginia Hills is necessary to suitably protect the interests of the Lenders and to allow the Agent to preserve the Security and provide for an orderly disposition of the property, undertakings and assets of Virginia Hills.
42. Further, the Agent is of the view that the joint appointment of A&M as Receiver to deal with the property, undertakings and assets of both Virginia Hills and Dolomite is the most efficient and cost effective means to manage the joint operations of the companies and facilitate a sale of the Assets, thereby maximizing any recovery by the Lenders and ATB.
43. A&M has been engaged as a financial advisor to the Agent and has consented to it being appointed as receiver and manager of Virginia Hills. I am advised that A&M has consented to act as Receiver of Virginia Hills and Dolomite.

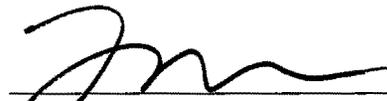
**Conclusion**

44. I make this Affidavit in support of an application to appoint A&M as receiver and manager of the property, undertakings and assets of Virginia Hills.

SWORN BEFORE ME at the City of )

Toronto, this 10<sup>th</sup> day of February, 2017. )

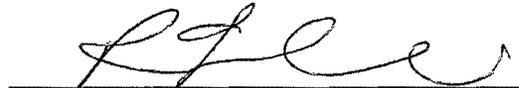
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A Commissioner for Oaths in and for )

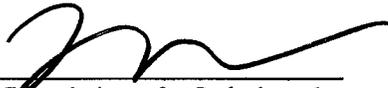
Ontario )

**Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.**

  
\_\_\_\_\_  
Rocco Fabiano

## EXHIBIT "A"

This is Exhibit "A" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law,  
Expires April 9, 2018.

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

Date of Search: 2017/02/07  
Time of Search: 08:21 AM  
Search provided by: MCMILLAN LLP

Service Request Number: 26499757  
Customer Reference Number: 247208

Corporate Access Number: 2018588372  
Legal Entity Name: VIRGINIA HILLS OIL CORP.

Legal Entity Status: Active  
Alberta Corporation Type: Named Alberta Corporation  
Registration Date: 2014/11/05 YYYY/MM/DD

## Registered Office:

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

## Records Address:

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

## Directors:

Last Name: BRUSSA  
First Name: JOHN  
Street/Box Number: 1500, 202 - 6 AVENUE S.W.  
City: CALGARY  
Province: ALBERTA  
Postal Code: T2P 2R9

**Last Name:** CRONE  
**First Name:** HOWARD  
**Street/Box Number:** 1500, 202 - 6 AVENUE S.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 2R9

**Last Name:** WITWER  
**First Name:** COLIN  
**Street/Box Number:** 1500, 202 - 6 AVENUE S.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 2R9

**Last Name:** ZAKRESKY  
**First Name:** ROBERT  
**Street/Box Number:** 1500, 202 - 6 AVENUE S.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 2R9

**Transfer Agents:**

**Legal Entity Name:** COMPUTERSHARE TRUST COMPANY OF CANADA  
**Corporate Access Number:** 309229359  
**Street:** 530 - 8 AVENUE S.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 3S8

**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:** 10  
**Business Restricted To:** NONE  
**Business Restricted From:** NONE

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

**Holding Shares In:**

<b>Legal Entity Name</b>
DOLOMITE ENERGY INC.

**Other Information:**

**Last Annual Return Filed:**

<b>File Year</b>	<b>Date Filed (YYYY/MM/DD)</b>
2015	2016/03/04

**Outstanding Returns:**

Annual returns are outstanding for the 2016 file year(s).

**Filing History:**

<b>List Date (YYYY/MM/DD)</b>	<b>Type of Filing</b>
2014/11/05	Incorporate Alberta Corporation
2015/03/18	Name/Structure Change Alberta Corporation
2016/03/04	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2016/04/19	Change Director / Shareholder

**Attachments:**

<b>Attachment Type</b>	<b>Microfilm Bar Code</b>	<b>Date Recorded (YYYY/MM/DD)</b>
Share Structure	ELECTRONIC	2014/11/05
Restrictions on Share Transfers	ELECTRONIC	2014/11/05
Other Rules or Provisions	ELECTRONIC	2014/11/05
Share Structure	ELECTRONIC	2015/02/17
Other Rules or Provisions	ELECTRONIC	2015/03/18

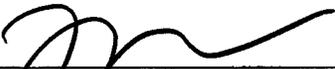
This is to certify that, as of this date, the above information is an accurate reproduction of data contained within the official records of the Corporate Registry.





## EXHIBIT "B"

This is Exhibit "B" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



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A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law,  
Expires April 9, 2018.



Profile Report

Entity Number: 101269279

Page 1 of 2

Entity Name: VIRGINIA HILLS OIL CORP.

Report Date: 07-Feb-2017

**Entity Details**

Entity Type	Business Corporation
Entity Subtype	NWP Corporation
Entity Status	Active
Registration Date	06-Nov-2014
Entity Number in Home Jurisdiction	2018588372
Entity Name in Home Jurisdiction	VIRGINIA HILLS OIL CORP.
Home Jurisdiction	Alberta, Canada
Incorporation/Amalgamation Date in Home Jurisdiction	05-Nov-2014
Nature of Business	OIL AND GAS EXPLORATION AND DEVELOPMENT.

**Registered Office/Mailing Address**

Physical Address	2400, 525 - 8 AVENUE SW, CALGARY, Alberta, Canada, T2P 1G1
Mailing Address	VIRGINIA HILLS OIL CORP., 2400, 525 - 8 AVENUE SW, CALGARY, Alberta, Canada, T2P 1G1

**Power of Attorney**

**KEITH D. BOYD**

Physical Address:	KANUKA THURINGER LLP, 1400, 2500 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P 3X2
Mailing Address:	KANUKA THURINGER LLP, 1400, 2500 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P 3X2

**T. MICHEAL MCDUGALL**

Physical Address:	1400, 2500 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P 3X2
Mailing Address:	1400, 2500 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P 3X2

**CARRIE G. HO**

Physical Address:	1400, 2500 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P 3X2
Mailing Address:	1400, 2500 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P 3X2



Profile Report

Entity Number: 101269279

Page 2 of 2

Entity Name: VIRGINIA HILLS OIL CORP.

Report Date: 07-Feb-2017

**Event History**

**Type**

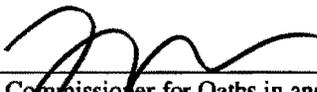
**Date**

Business Corporation - NWP Registration

06-Nov-2014

## EXHIBIT "C"

This is Exhibit "C" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



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A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

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

Date of Search: 2017/02/07  
Time of Search: 08:25 AM  
Search provided by: MCMILLAN LLP

Service Request Number: 26499774  
Customer Reference Number: 247208

Corporate Access Number: 2018930152  
Legal Entity Name: DOLOMITE ENERGY INC.

Legal Entity Status: Active  
Alberta Corporation Type: Named Alberta Corporation  
Method of Registration: Amalgamation  
Registration Date: 2015/04/27 YYYY/MM/DD

## Registered Office:

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

## Records Address:

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

## Directors:

Last Name: WITWER  
First Name: COLIN  
Street/Box Number: SUITE 500, 255 - 5 AVENUE SW  
City: CALGARY  
Province: ALBERTA  
Postal Code: T2P 3G6

**Voting Shareholders:**

**Legal Entity Name:** VIRGINIA HILLS OIL CORP.  
**Corporate Access Number:** 2018588372  
**Street:** 500, 255 - 5 AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P 3G6  
**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

**Other Information:****Amalgamation Predecessors:**

Corporate Access Number	Legal Entity Name
2018341632	1834163 ALBERTA LTD.
206851479	DOLOMITE ENERGY INC.

**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2016	2016/08/16

**Filing History:**

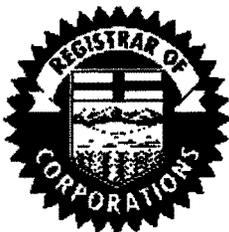
List Date (YYYY/MM/DD)	Type of Filing
------------------------	----------------

2015/04/27	Amalgamate Alberta Corporation
2015/04/30	Change Director / Shareholder
2016/08/16	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

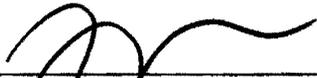
Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Amalgamation Agreement	10000907115604330	2015/04/27
Statutory Declaration	10000707115604331	2015/04/27
Share Structure	ELECTRONIC	2015/04/27
Restrictions on Share Transfers	ELECTRONIC	2015/04/27
Other Rules or Provisions	ELECTRONIC	2015/04/27

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 "D"

This is Exhibit "D" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



---

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for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

**VIRGINIA HILLS OIL CORP.**  
as Borrower

- and -

**THE BANK OF NOVA SCOTIA AND THE OTHER FINANCIAL INSTITUTIONS NAMED  
HEREIN FROM TIME TO TIME IN THEIR CAPACITIES AS LENDERS**  
as Lenders

- and -

**THE BANK OF NOVA SCOTIA**  
as Lead Arranger and Bookrunner

- and -

**THE BANK OF NOVA SCOTIA**  
as Administrative Agent

**CREDIT AGREEMENT**

**Dated April 15, 2015**

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**ADDENDA**

Schedule A:	Lenders and Individual Commitments
Schedule B:	Form of Closing Certificate
Schedule C:	Form of Closing Opinion
Schedule D:	Form of Environmental Certificate
Schedule E:	Form of Oil and Gas Ownership Certificate
Schedule F:	Form of Assignment and Assumption of Existing Credit Agreements and Debenture
Schedule G:	Form of Demand Debenture
Schedule H:	Form of Notice of Borrowing
Schedule I:	Form of Notice of Conversion or Notice of Repayment
Schedule J:	Form of Compliance Certificate
Schedule K:	Form of Assignment Agreement
Schedule L:	Business Plan

## CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of April 15, 2015

AMONG:

**VIRGINIA HILLS OIL CORP.**, a corporation incorporated under the laws of Alberta (hereinafter referred to as the "**Borrower**")

- and -

**THE BANK OF NOVA SCOTIA** and those other financial institutions named on Schedule A annexed hereto, together with such other financial institutions that become parties hereto from time to time, in their capacities as lenders (hereinafter sometimes collectively referred to as the "**Lenders**" and sometimes individually referred to as a "**Lender**")

- and -

**THE BANK OF NOVA SCOTIA**, a Canadian chartered bank, in its capacity as administrative agent hereunder (hereinafter referred to as the "**Agent**")

WHEREAS the Borrower and the Lenders have agreed to enter into this Credit Agreement on the terms and conditions set out herein.

AGREEMENT:

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

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions.

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

"**Accommodation**" means an accommodation referred to in Section 3.9.

"**Accounting Change**" has the meaning attributed to it in Section 1.15(b).

"**Accounting Change Notice**" has the meaning attributed to it in Section 1.15(b).

"Additional Compensation" has the meaning attributed to it in Section 9.1(a).

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

"Advance" means, with respect to a Drawdown or Conversion:

- (a) in respect of Accommodations other than Letters of Credit, the disbursement or credit of funds to, or to the credit of, the Borrower; or
- (b) in respect of Letters of Credit, the issuance of Letters of Credit hereunder.

"Affected Lender" has the meaning attributed to it in Section 6.3(a).

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

"After-Acquired Property" has the meaning attributed to it in Section 4.5.

"Agent" means The Bank of Nova Scotia, and includes its successors and any replacement Agent.

"Agent's Branch of Account" means the branch of the Agent at the address of the Agent set forth in Section 19.1 or such other office or branch in Canada as the Agent may from time to time designate by notice to the Borrower and the Lenders.

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

"Aggregate Principal Amount" means (i) where the context so requires, the aggregate of the principal amount outstanding from time to time under Facility A; (ii) where the context so requires, the aggregate of the principal amount outstanding from time to time under Facility B, including the undrawn amount of outstanding Letters of Credit issued thereunder; or (iii) where the context so requires, the aggregate of the principal amount outstanding from time to time under the Credit Facilities, including the undrawn amount of outstanding Letters of Credit issued thereunder.

"Amalgamation" means the amalgamation of Dolomite and 1834163 Alberta Ltd., a wholly-owned subsidiary of the Borrower, and continuing as one corporation known as Dolomite on the terms set out in the Amalgamation Agreement.

**"Amalgamation Agreement"** means the amalgamation agreement dated as of March 2, 2015 among Dolomite, the Borrower and 1834163 Alberta Ltd.

**"Arrangement"** means the arrangement, pursuant to Section 193 of the *Business Corporations Act* (Alberta), on the terms set out in the Arrangement Agreement.

**"Arrangement Agreement"** means the arrangement agreement dated February 16, 2015 among Cardinal Energy Ltd., Pinecrest and the Borrower, as amended by the amending agreement dated January 26, 2015, the second amending agreement dated February 16, 2015 and the third amending agreement dated April 13, 2015.

**"Arrangement Rights"** has the meaning attributed to it in the Arrangement Agreement.

**"Assignment Agreement"** means an assignment agreement substantially in the form of Schedule K annexed hereto, with such modifications thereto as may be reasonably required by the Agent from time to time.

**"Available Cash Flow"** means for any period:

(a) the consolidated revenue of the Borrower (other than Dolomite and its Subsidiaries) from operations (including all net proceeds of any sales or dispositions) for such period;

less

(b) royalties and other contractual obligations, the payment of which and compliance with which are necessary to preserve and maintain the consolidated P&NG Rights of the Borrower (other than Dolomite and its Subsidiaries) for such period; and

(c) the reasonable general and administrative and operating expenses of the Borrower (other than Dolomite and its Subsidiaries) for such period, including debt service; and

(d) Taxes applicable to such period;

(e) any maintenance capital expenditure requirements as provided in the Cash Flow Model; and

(f) any severance and/or change of control payments made to the executive officers of Pinecrest and/or Dolomite after having been approved by the Lenders pursuant to Section 13.2(o).

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

**"Bank Products"** means any cash management, wire service, eligible data interchange services, corporate credit card facilities or other similar services provided by the Facility B Lender to the Borrower.

**"Bank Product Obligations"** means, without duplication, the aggregate amount of all obligations, liabilities and indebtedness, absolute or contingent, direct or indirect, matured or unmatured, liquidated or unliquidated, of the Borrower to the Facility B Lender under or in connection with any Bank Products.

**"Banking Day"** means a day, excluding Saturday and Sunday, on which financial institutions generally are open for business in Toronto, Ontario and Calgary, Alberta.

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

**"Basel III"** means the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking system", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision on December 16, 2010, each as amended, supplemented or restated.

**"bps"** means one one-hundredth of 1%.

**"Borrower"** means Virginia Hills Oil Corp., and its successors and permitted assigns.

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

**"Borrower's Counsel"** means Burnet, Duckworth & Palmer LLP or another barrister or solicitor or firm of barristers and solicitors or other lawyers in an appropriate jurisdiction retained by the Borrower and acceptable to the Agent, acting reasonably.

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

**"Business Plan"** means the integrated monthly financial forecasts for the period commencing on the Closing Date and ending on September 30, 2016, including (i) monthly detailed pro-forma consolidated balance sheets and income statements of the Borrower (other than Dolomite and its Subsidiaries) for such period prepared in accordance with GAAP, (ii) the Cash Flow Model, and (iii) a capital expenditure program setting forth capital expenditures proposed to be made in such period by the Borrower (other than Dolomite and its Subsidiaries), a copy of which is attached hereto as Schedule L.

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

the Noon Rate on the Banking Day immediately preceding the date such conversion is to be made.

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

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

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

"Capital Adequacy Guidelines" means the capital adequacy guidelines from time to time specified by the Office of the Superintendent of Financial Institutions and published by it as guidelines for banks in Canada.

"Cash Consideration" has the meaning attributed to it in the Arrangement Agreement.

"Cash Flow Model" means a monthly forecast of all receipts and disbursements of the Borrower (other than Dolomite and its Subsidiaries) that is consistent, in all material respects, with the cash flow forecast attached to the Business Plan.

"Change of Control" means if, after the Closing Date, any Person acquires, directly or indirectly, alone or in concert with other Persons, over a period of time or at any one time, Voting Securities in the capital of the Borrower aggregating in excess of 30% of all of the then issued and outstanding Voting Securities of the Borrower.

"Claim" has the meaning attributed to it in Section 19.5.

"Closing Certificate" means the officer's certificate substantially in the form of Schedule B.

"Closing Date" means April 15, 2015 or such other date agreed upon in writing between the Borrower, the Agent and the Lenders.

"Closing Opinion" means, collectively, the opinion of the Borrower's Counsel addressed to the Agent, the Lenders and their legal counsel substantially in the form of Schedule C.

"Commitment Amount" means the aggregate of the Facility A Commitment Amount and the Facility B Commitment Amount.

"Commodity Swap Contracts" has the meaning attributed to it in Section 13.2(b).

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

"Compliance Certificate" means the certificate of the Borrower substantially in the form of Schedule J, with the blanks completed.

"Contaminant" means those substances, pollutants, wastes and special wastes which are defined as contaminants, hazardous, toxic, or a threat to public health or to the Environment under any applicable Environmental Law, including any radioactive materials, urea formaldehyde foam insulation, asbestos or polychlorinated biphenyls (PCB's).

"Conversion" means in relation to an Advance, a conversion of an Advance into another type of Advance made pursuant to this Agreement.

"Conversion Date" means the date specified by the Borrower as being the date on which the Borrower has elected to convert, or this Agreement requires the conversion of, one type of Loan into another type of Loan.

"Credit Facilities" means, collectively, Facility A and Facility B and "Credit Facility" means either one of them.

"Criminal Code (Canada)" means the *Criminal Code*, R.S.C. 1985, c. C-46, including the regulations made and, from time to time, in force under that Act.

"Debt" means all obligations, liabilities and indebtedness of the Borrower (other than Dolomite and its Subsidiaries) which would, in accordance with GAAP, be classified upon a consolidated balance sheet of the Borrower as indebtedness for borrowed money of the Borrower (other than Dolomite and its Subsidiaries), whether or not so classified, shall include (without duplication and on a consolidated basis):

- (a) indebtedness of the Borrower (other than Dolomite and its Subsidiaries) for borrowed money;
- (b) all other liabilities of the Borrower (other than Dolomite and its Subsidiaries) represented or evidenced by a note, bond, debenture or other evidence of indebtedness for borrowed money;
- (c) obligations of the Borrower (other than Dolomite and its Subsidiaries) arising pursuant to bankers' acceptance facilities and commercial paper programs, and under letters of credit, letters of guarantee and similar instruments (supporting obligations which would otherwise constitute Debt within the meaning of this definition) or indemnities issued in connection therewith;

- (d) obligations of the Borrower (other than Dolomite and its Subsidiaries) under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness of any other Person or the obligations of any other Person which would otherwise constitute Debt within the meaning of this definition, and all other obligations incurred for the purpose of, or having the effect of, providing financial assistance to another Person in respect of the indebtedness or such other Debt obligations, including endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business);
- (e) all obligations of any other Person which are secured by a security interest on any of the assets of any of the Borrower (other than Dolomite and its Subsidiaries); and
- (f) all indebtedness of the Borrower (other than Dolomite and its Subsidiaries) representing the deferred (for greater than 60 days) purchase price of any property or services, and all obligations of the Borrower (other than Dolomite and its Subsidiaries) created or arising under any conditional sales agreement or other title retention agreement (but excluding operating leases) or any capital lease.

**"Debt to EBITDA Ratio"** means at the end of each fiscal quarter of the Borrower, the ratio of Debt to EBITDA.

**"Default"** means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

**"Defaulting Lender"** means any Lender:

- (a) that has failed to fund any payment or its portion of any Loans required to be made by it hereunder or to purchase any participation required to be purchased by it hereunder and under the Documents;
- (b) that has notified the Borrower, the Agent or any Lender (verbally or in writing) that it does not intend to or is unable to comply with any of its funding obligations under this Agreement or has made a public statement to that effect or to the effect that it does not intend to or is unable to fund advances generally under credit arrangements to which it is a party (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a Loan cannot be satisfied);
- (c) that has failed, within three (3) Banking Days after written request by the Agent or the Borrower, to confirm in writing to the Agent and the Borrower that it will comply with the terms of this Agreement relating to

its obligations to fund prospective Loans (provided that such Lender shall cease to be a Defaulting Lender upon receipt of such written confirmation by the Agent and the Borrower);

- (d) that has otherwise failed to pay over to the Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Banking Days of the date when due, unless the subject of a good faith dispute;
- (e) in respect of which one or more Lender-Related Distress Events has occurred; or
- (f) that is generally in default of its obligations under other existing credit or loan documentation under which it has commitments to extend credit.

"Director" means a director of a corporation and reference to action by the directors or board of directors when used with respect to a corporation means action by the directors of such corporation as a board or, whenever duly empowered, by an executive committee or any other duly authorized committee of the board.

"Distribution" means any:

- (a) payment of any dividend on or in respect of any shares, units or other ownership interests of any class in the capital of the Borrower (including any thereof acquired through the exercise of warrants or rights of conversion, exchange or purchase);
- (b) redemption, retraction, purchase or other acquisition or retirement, in whole or in part, of shares, units or other ownership interests (including warrants) of any class in the capital of the Borrower (including any thereof acquired through the exercise of warrants or rights of conversion, exchange or purchase);
- (c) payment of principal, interest or other amounts in whole or in part, of any indebtedness of the Borrower for borrowed money (including any Debt incurred or assumed by the Borrower pursuant to a capital lease or operating lease);

to (in the case of paragraphs (a) and (c) of this definition) or by or from (in the case of paragraph (b) of this definition) any shareholder or any Affiliate of a shareholder of the Borrower (other than the Lenders), whether made or paid in or for cash, property or both, or

- (d) transfer of any property for consideration of less than fair market value by the Borrower to any shareholder or to any Affiliate of a shareholder of the Borrower.

**"Documents"** means this Agreement and any other instruments or agreement entered into by the Parties relating to the Credit Facilities, including the Security, any document or agreement resulting from the operation of Section 4.1.

**"Dolomite"** means Dolomite Energy Inc. and, following the Amalgamation, the corporation continuing from the Amalgamation.

**"Dolomite Credit Agreement"** means the credit agreement to be entered into between Dolomite and Alberta Treasury Branches concurrent with the closing of the Amalgamation.

**"Drawdown"** means a borrowing or credit of funds by way of Advances, other than an Advance by way of Conversion.

**"Drawdown Date"** means the date specified in a Notice of Borrowing as the date on which a Drawdown will occur and which date will be a Banking Day.

**"EBITDA"** means, for a particular period, and as determined in accordance with GAAP on a consolidated basis (but excluding Dolomite and any of its Subsidiaries), the Borrower's (a) net income, (b) depreciation, depletion and amortization expense, (c) deferred or future income taxes, (d) Interest Charges, to the extent deducted from net income, (e) all amounts deducted in the calculation of net income in respect of the provision from income taxes, (f) all amounts deducted in the calculation of net income in respect of any severance and/or change of control payments made to the executive officers of Pinecrest and/or Dolomite after having been approved by the Lenders pursuant to Section 13.2(o), (g) all amounts deducted in the calculation of net income in respect of closing costs incurred in connection with the Arrangement and the Amalgamation, and (h) other charges to operations not requiring a current cash payment (to the extent deducted in calculating net income); provided that the cash flow for any period will be adjusted accordingly for acquisitions and divestitures by the Borrower made in the applicable period as if such acquisition or divestiture was made on the first day of such period and provided that all unrealized gains in respect of any hedging transactions of the Borrower (other than Dolomite and its Subsidiaries) shall be excluded from EBITDA.

**"Effective Date"** has the meaning attributed to it in Section 3.10(c).

**"Environment"** means all components of the earth, including all layers of the atmosphere, air, land (including all underground spaces and cavities and all lands submerged under water), soil, water (including surface and underground water), organic and inorganic matter and living organisms, and the interacting natural systems that include the components referred to in this definition.

**"Environmental Certificate"** means the certificate substantially in the form of Schedule D, with the blanks completed.

**"Environmental Law"** means any Law relating, in whole or in part, to the protection or enhancement of the Environment, including occupational safety, product liability, public health, public safety and transportation or handling of dangerous goods.

**"Equity Proceeds"** has the meaning attributed to it in Section 6.1(b)(v).

**"Event of Default"** means an event specified in Section 15.1.

**"Excess"** has the meaning attributed to it in Section 5.7(a).

**"Excess Amount"** has the meaning attributed to it in Section 18.14.

**"Excess Overdraft Indebtedness"** has the meaning attributed to it in Section 3.11(c).

**"Facility A"** means the credit facility established by the Facility A Lenders in favour of the Borrower pursuant to Section 3.1.

**"Facility A Commitment Amount"** means initially Cdn. \$90,000,000, as such amount may be changed from time to time as provided for herein.

**"Facility A Lenders"** means, initially, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce and Alberta Treasury Branches, and any other Person who from time to time has a commitment under Facility A as provided for herein, together with their successors and permitted assigns.

**"Facility A Termination Date"** means September 30, 2016.

**"Facility B"** means the credit facility established by the Facility B Lender in favour of the Borrower pursuant to Section 3.2.

**"Facility B Commitment Amount"** means initially Cdn. \$7,000,000, as such amount may be changed from time to time as provided for herein.

**"Facility B Lender"** means The Bank of Nova Scotia, together with its successors and permitted assigns.

**"Facility B Termination Date"** means September 30, 2016.

**"Farm-in Agreement"** means the farm-in agreement in the form attached to the Amalgamation Agreement as Appendix "H".

**"Federal Funds Rate"** means, for any day, the rate of interest per annum equal to the weighted average (rounded upwards, if necessary, to the next 1/100<sup>th</sup> of one percent per annum) of the annual rates of interest on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published on the next succeeding Banking Day by the Federal Reserve Bank of New York, or, if such day is not a Banking Day, such weighted average for the immediately preceding Banking Day for which the same is published or, if such rate is not so published for any day that is a Banking Day, the average (rounded upwards, if

necessary, to the next 1/100<sup>th</sup> of one percent per annum) of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it; provided, however, that if the Federal Funds Rate is negative, it will be deemed to be zero for the purposes of this Agreement.

**"Federal Reserve System"** or **"Federal"** means the Board of Governors of the Federal Reserve System of the United States of America or any successor thereof.

**"Financial LC"** means a stand-by Letter of Credit if it serves as a payment guarantee of the Borrower's financial obligations and is treated as a direct credit substitute for purposes of the Capital Adequacy Guidelines.

**"First Party"** has the meaning attributed to it in Section 19.4.

**"Floor Rate"** has the meaning attributed to it in the definition of Canadian Prime Rate.

**"GAAP"** means generally accepted accounting principles which are in effect from time to time in Canada.

**"Hostile Acquisition"** means an acquisition, which is required to be reported to applicable securities regulatory authorities, of shares of a corporation where the Directors of that corporation has not approved such acquisition nor recommended to the shareholders of the corporation that they sell their shares pursuant to the proposed acquisition or of units of a trust where the trustee or manager or administrator of that trust has not approved such acquisition nor recommended to the unitholders of the trust that they sell their units pursuant to the proposed acquisition or of units of a partnership where the Directors of the general partner(s) thereof has not approved such acquisition nor recommended to the partners of the partnership that they sell their units pursuant to the proposed acquisition.

**"Impacted Lenders"** has the meaning attributed to it in Section 9.5.

**"includes"** means **"includes without limitation"** and **"including"** means **"including without limitation"**.

**"Indemnified Parties"** has the meaning attributed to it in Section 19.5.

**"Indemnity Agreement"** means the indemnity agreement dated April 15, 2015 among the Borrower, Pinecrest and Cardinal Energy Ltd.

**"Individual Commitment"** means, from time to time, in respect of a Lender, that portion of the Commitment Amount which such Lender has severally agreed to make available to the Borrower in accordance with the terms and conditions of the Agreement, subject to adjustment pursuant to the terms of the Agreement.

**"Individual Facility A Commitment"** means the commitment of each Facility A Lender under Facility A to provide the Facility A Commitment Amount set forth opposite its

name in Schedule A annexed hereto, subject to any increase or reduction in accordance with the provisions hereof.

**"Insolvency Legislation"** means legislation in any applicable jurisdiction primarily relating to, or the central purpose of which is the, reorganization, arrangement, compromise or re adjustment of debt, dissolution or winding up, or any similar legislation, and specifically includes for greater certainty the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Canada Deposit Insurance Corporations Act* (Canada) and the *Winding Up and Restructuring Act* (Canada).

**"Interest Charges"** means, for any period, without duplication, interest expense of the Borrower (other than Dolomite and its Subsidiaries) determined on a consolidated basis in accordance with GAAP, as the same would be set forth or reflected in a consolidated statement of comprehensive income of the Borrower and, in any event and without limitation, shall include:

- (a) all interest of the Borrower (other than Dolomite and its Subsidiaries) accrued or payable in respect of such period, including capitalized interest and imputed interest with respect to lease obligations;
- (b) all fees of the Borrower (other than Dolomite and its Subsidiaries), including standby and commitment fees, acceptance fees in respect of bankers' acceptances and fees payable in respect of letters of credit, letters of guarantee and similar instruments, accrued or payable in respect of such period, prorated (as required) over such period;
- (c) any difference between the face amount and the discount proceeds of any bankers' acceptances, commercial paper and other obligations of the Borrower (other than Dolomite or any of its Subsidiaries) issued at a discount, prorated (as required) over such period; and
- (d) the aggregate of all purchase discounts relating to the sale of accounts receivable in connection with any asset securitization program.

**"Interest Act (Canada)"** means the *Interest Act*, R.S.C. 1985, c. 1-15, including the regulations made and, from time to time, in force under that Act.

**"Judgment Interest Act (Alberta)"** means the *Judgment Interest Act*, R.S.A. 2000, c. J-1, including the regulations made and from time to time in force under that Act.

**"Law"** means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, any judgments, orders, writs, injunctions, decisions, rulings, decrees and awards of any Administrative Body, and any policies, voluntary restraints, practices or guidelines of any Administrative Body, and including any principles of common law and equity.

"Lenders" means, initially, the Facility A Lenders and the Facility B Lender, and thereafter, each Lender which may become a Party to this Agreement, as a lender, and each of their respective successors and permitted assigns, and "Lender" means any one of them in such capacity.

"Lender-Related Distress Event" means, with respect to any Lender or any Person that directly or indirectly controls such Lender (each a "Distressed Person"), a voluntary or involuntary case with respect to such Distressed Person under any Insolvency Legislation or a custodian, conservator, receiver, regulatory authority, Administrative Body or similar official is appointed for such Distressed Person or any substantial part of such Distressed Person's assets, or such Distressed Person is subject to a forced liquidation, merger, sale or other Change of Control supported in whole or in part by guaranties or other support (including, without limitation, the nationalization or assumption of ownership or operating control by the government of Canada, the United States or other Administrative Body), or such Distressed Person makes a general assignment for the benefit of its creditors or is otherwise adjudicated as, or determined by any Administrative Body having regulatory authority over such Distressed Person or its assets to be, insolvent, bankrupt, or deficient in meeting any capital adequacy or liquidity standard of any such governmental body provided that a Lender-Related Distress Event shall not be deemed to have occurred solely by virtue of the ownership or acquisition of any equity interest in such Distressed Person by any Administrative Body. An Undisclosed Administration shall not constitute a Lender-Related Distress Event so long as such administration has not been disclosed to the public and the applicable Lender has confirmed in writing to the Agent that it will meet all of its funding obligations under the Agreement.

"Letters of Credit" means letters of credit or letters of guarantee in Canadian Dollars or U.S. Dollars issued under Facility B.

"Letter of Credit Fee" has the meaning attributed to it in Section 3.10(a)(iii).

"LIBOR" means the rate equal to the average rate listed on the Reuters London Interbank Offer Rate 01 Screen applicable to the relevant LIBOR Period, at which deposits in U.S. Dollars are offered to financial institutions in the London interbank market at 11:00 a.m. (London local time) on the date two (2) LIBOR Banking Days in advance of the commencement of the applicable LIBOR Period; provided, however, that if LIBOR is negative, it will be deemed to be zero for the purposes of this Agreement.

"LIBOR Banking Day" means any Banking Day on which commercial banks are open for international business (including dealings in U.S. Dollar deposits in the London interbank market) in London, England.

"LIBOR Period" means a period of 1, 2, 3 or 6 months selected by the Borrower and readily available in the London Interbank Eurodollar Market, or such other period as may be agreed to by the Lenders.

"Lien" means any mortgage, lien, pledge, charge (whether fixed or floating), security interest, title retention agreement (other than operating leases in respect of tangible

personal property which are not in the nature of financing transactions) or other encumbrance of any kind, contingent or absolute but excludes any contractual right of set-off created in the ordinary course of business and any writ of execution, or other similar instrument, arising from a judgment relating to the non-payment of indebtedness.

**"Loan"** means a Canadian Prime Rate Loan, a U.S. Base Rate Loan or a Letter of Credit outstanding hereunder.

**"Majority Lenders"** means those Lenders, the Individual Commitments of which are, in the aggregate, at least 66⅔% of the Individual Commitments of all Lenders hereunder; provided, however, that if at any time there are three or fewer Lenders, the "Majority Lenders" shall mean all of the Lenders.

**"Material Adverse Effect"** means a material adverse effect on:

- (a) the financial condition of the Borrower;
- (b) the Borrower's ability to perform its material obligations under the Documents or the validity or enforceability of a material provision of the Documents; or
- (c) the property, business, operations or liabilities of the Borrower.

**"Net Debt"** means the Aggregate Principal Amount and the current assets less current liabilities of the Borrower (other than Dolomite and each of its Subsidiaries) determined on a consolidated basis in accordance with GAAP.

**"New Rules"** has the meaning attributed to it in Section 9.3.

**"Non-Affected Lender"** has the meaning attributed to it in Section 6.3(a)(ii).

**"Noon Rate"** means, in relation to the conversion of one currency into another currency, the rate of exchange for such conversion as quoted by the Bank of Canada (or, if not so quoted, the spot rate of exchange quoted for wholesale transactions made by the Lenders at Toronto, Ontario at approximately noon (Toronto time)).

**"Notice of Borrowing"** means, in relation to Advances, a notice by the Borrower to the Agent substantially in the form of Schedule I, with the blanks completed, as applicable.

**"Notice of Conversion"** means, in relation to Advances, a notice by the Borrower to the Agent substantially in the form of Schedule I, with the blanks completed.

**"Notice of Repayment"** means a notice substantially in the form annexed hereto as Schedule I to be given to the Agent by the Borrower pursuant hereto.

**"Notified Lender"** has the meaning attributed to it in Section 6.3(a)(i).

**"Obligations"** means, without duplication, the aggregate amount of all obligations, liabilities and indebtedness of the Borrower to the Lenders or the Agent under or in connection with the Documents and all Bank Product Obligations and all obligations, contingent or otherwise, of any of the foregoing arising from any guarantee made by a Person in respect thereof.

**"Oil and Gas Ownership Certificate"** the certificate substantially in the form of Schedule E.

**"Operating Cash Flow"** means, with respect to the Borrower (other than Dolomite and any of its Subsidiaries), oil and gas receipts less royalty payments, operating disbursements and general and administrative disbursements (such disbursements to exclude, for purposes of this definition, any severance and/or change of control payments made to the executive officers of Pinecrest and/or Dolomite after having been approved by the Lenders pursuant to Section 13.2(o)).

**"Original Currency"** has the meaning attributed to it in Section 19.4.

**"Outstanding Principal"** means, at any time, the aggregate of:

- (a) the principal amount of all outstanding Canadian Prime Rate Loans;
- (b) the Canadian Dollar Exchange Equivalent of the principal amount of all outstanding U.S. Base Rate Loans; and
- (c) the amounts payable at maturity of all outstanding Letters of Credit which are denominated in Canadian Dollars and the Canadian Dollar Exchange Equivalent of all outstanding Letters of Credit which are denominated in U.S. Dollars.

**"Overdraft"** means an amount owing by the Borrower to the Facility B Lender from time to time as a result of clearance of cheques or drafts drawn on, or transfers of funds from, a Borrower's Account in Canadian Dollars or U.S. Dollars for such purpose.

**"Overpaid Lender"** has the meaning attributed to it in Section 18.14.

**"Participant"** has the meaning attributed to it in Section 17.4.

**"Parties"** means the Borrower, the Agent and the Lenders and their respective successors and permitted assigns, and **"Party"** means any one of the Parties.

**"Pension Plan"** means any retirement or pension benefit plan that is established by a Person for the benefit of its employees, that requires such Person to make periodic payments or contributions.

**"Performance LCs"** means Letters of Credit which are not Financial LCs.

**"Permitted Debt"** means:

- (a) Obligations of the Borrower under the Credit Facilities or any of the Documents;
- (b) any other Debt of the Borrower (other than Dolomite or any of its Subsidiaries), whether secured by Purchase Money Liens or incurred in connection with capital leases, provided that all such Debt at no time exceeds the Threshold Amount, in aggregate; and
- (c) Debt owing by Dolomite or any of its Subsidiaries under the Dolomite Credit Agreement in an aggregate principal amount not exceeding \$11,000,000.

**"Permitted Dispositions"** means any:

- (a) sale or disposition in the ordinary course of business and in accordance with sound industry practice of tangible personal property that is obsolete, no longer useful for its intended purpose or being replaced in the ordinary course of business; provided that, the aggregate fair market value of such sales or dispositions shall not exceed \$100,000 prior to the Termination Date (as may be extended from time to time);
- (b) sale or disposition of current production of oil and natural gas made in the ordinary course of business; and
- (c) in respect of Dolomite, pursuant to the Farm-in Agreement.

**"Permitted Encumbrances"** means:

- (a) undetermined or inchoate Liens arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to Law against the Borrower or, after the Amalgamation, Dolomite or in respect of which no steps or proceedings to enforce such Lien have been initiated or which relate to obligations which are not due or delinquent or if due or delinquent, any Lien which the Borrower or, after the Amalgamation, Dolomite is in good faith contesting if such contest involves no risk of loss that could reasonably be expected to have a Material Adverse Effect and an adequate reserve in accordance with GAAP has been established by the Borrower or, after the Amalgamation, Dolomite;
- (b) Liens incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the joint operation of P&NG Rights or related production or processing facilities as security in favour of any other Person conducting the development or operation of the property to which such Liens relate, for the Borrower's or, after the Amalgamation, Dolomite's portion of the costs and expenses of such development or operation, provided such costs or expenses are not due or delinquent or if due or delinquent, any Lien which the Borrower or,

after the Amalgamation, Dolomite is in good faith contesting if such contest involves no risk of loss that could reasonably be expected to have a Material Adverse Effect and an adequate reserve in accordance with GAAP has been established by the Borrower or, after the Amalgamation, Dolomite;

- (c) to the extent a Lien is created thereby, a sale or disposition of P&NG Rights resulting from any pooling or unitization agreement entered into in the ordinary course of business when, in the Borrower's or, after the Amalgamation, Dolomite's reasonable judgment, it is necessary to do so in order to facilitate the orderly exploration, development or operation of such properties, provided that, the Borrower's or, after the Amalgamation, Dolomite's resulting pooled or unitized interest is proportional (either on an acreage or reserve basis) to the interest contributed by it and is not materially less than the Borrower's or, after the Amalgamation, Dolomite's interest in such P&NG Rights prior to such pooling or unitization and its obligations in respect thereof are not greater than its proportional share based on the interest acquired by it;
- (d) to the extent a Lien is created thereby, farmout interests or overriding royalty interests, net profit interests, reversionary interests and carried interests in respect of the Borrower's or, after the Amalgamation, Dolomite's P&NG Rights that are or were entered into with or granted to arm's length third parties in the ordinary course of business and in accordance with sound industry practice;
- (e) Liens for penalties arising under non-participation provisions of operating agreements in respect of the Borrower's or, after the Amalgamation, Dolomite's P&NG Rights or any related facilities, if such Liens would not reasonably be expected to have a Material Adverse Effect;
- (f) easements, rights-of-way, servitudes, zoning or other similar rights or restrictions in respect of land held by the Borrower or, after the Amalgamation, Dolomite (including rights-of-way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) which, either alone or in the aggregate, would not reasonably be expected to have a Material Adverse Effect;
- (g) any Lien or trust arising in connection with worker's compensation, employment insurance, pension and employment Law;
- (h) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired by the Borrower or, after the Amalgamation, Dolomite or by any statutory provision to terminate any such lease, license,

franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;

- (i) all reservations in the original grant from the Crown of any lands and premises or any interests therein and all statutory exceptions, qualifications and reservations in respect of title;
- (j) any right of first refusal in favour of any Person granted in the ordinary course of business with respect to all or any of the P&NG Rights or related facilities of the Borrower or, after the Amalgamation, Dolomite;
- (k) public and statutory Liens not yet due and similar Liens arising by operation of Law;
- (l) the Security;
- (m) the interest of any Person under any Purchase Money Lien or capital lease to the extent the underlying obligation in respect thereof is otherwise permitted hereunder;
- (n) after the Amalgamation, Liens granted by Dolomite or any of its Subsidiaries to Alberta Treasury Branches to secure the Debt described in paragraph (c) of the definition of Permitted Debt; and
- (o) any Lien from time to time disclosed by the Borrower or, after the Amalgamation, Dolomite to the Agent and which is consented to by the Lenders.

**"Person"** means an individual, a partnership, a corporation, a company, a trust, an unincorporated organization, a union, a government or any department or agency thereof (collectively an **"entity"**) and the heirs, executors, administrators, successors, or other legal representatives, as the case may be, of such entity.

**"Petroleum Substances"** means petroleum, natural gas, natural gas liquids, related hydrocarbons and any and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing.

**"Pinecrest"** means Pinecrest Energy Inc.

**"Pinecrest Credit Agreements"** means, collectively, (a) the syndicated credit agreement dated April 30, 2013 among Pinecrest, as borrower, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce and Alberta Treasury Branches, as lenders, and The Bank of Nova Scotia, as agent, as amended by a first amending agreement dated December 4, 2013, a second amending agreement dated May 30, 2014, a third amending agreement dated July 31, 2014 and a fourth amending agreement dated February 12, 2015, and (b) the credit agreement dated April 30, 2013 between Pinecrest, as borrower, and The Bank

of Nova Scotia, as lender, as amended by a first amending agreement dated February 12, 2015.

**"P&NG Rights"** means all of the right, title, estate and interest, whether contingent or absolute, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Borrower at such time in and to any, or such as are stipulated, of the following, by whatever name the same are known:

- (a) rights to explore for, drill for, produce, take, save or market Petroleum Substances from or allocated to its lands or lands with which the same have been pooled or unitized;
- (b) rights to a share of the production of Petroleum Substances from or allocated to lands or lands with which the same have been pooled or unitized;
- (c) rights to a share of the proceeds of, or to receive payments calculated by reference to the quantity or value of, the production of Petroleum Substances from or allocated to lands or lands with which the same have been pooled or unitized;
- (d) rights of the Borrower in lands or documents of title related thereto, including leases, subleases, licenses, permits, reservations, rights and privileges; and
- (e) rights to acquire any of the above rights described in paragraphs (a) through (d) of this definition,

and includes interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests and other economic interests.

**"Pricing Table"** means the pricing table labelled "Pricing Table" set forth in Section 3.10(a).

**"Principal Repayment"** means the repayment by or for and on behalf of the Borrower to the Lenders of all or a portion of any principal outstanding to the Lenders under the Credit Facilities.

**"Proved Producing Reserves"** means, as determined by the Lenders in accordance with its usual and customary practices, those oil and gas reserves estimated as recoverable under current technology and existing economic conditions from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, mining, geological, geophysical and engineering data, including reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir, and which, in any case, are actually on production.

**"Purchase Money Lien"** means a Lien, whether given to a vendor, lender or any other Person, securing Debt assumed or incurred as, or to provide, all or part of the purchase price or other acquisition cost of property, other than P&NG Rights, which Lien is limited exclusively to such property and any proceeds thereof and any extension, renewal, refinancing or replacement thereof.

**"Rateable Portion"** means, at any time and from time to time with respect to each Lender and with regard to any amount of money in respect of the Drawdowns, Conversions and Loans and other amounts in respect thereof:

- (a) in respect of Facility A, the proportion of the Individual Facility A Commitment of such Facility A Lender relative to the Facility A Commitment Amount of all Facility A Lenders;
- (b) in respect of Facility B, the Rateable Portion for the Facility B Lender shall be 100%; and
- (c) in respect of all Credit Facilities, the portion of the Individual Commitment of a Lender relative to the Commitment Amount of all Lenders.

**"Release"** includes releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping.

**"Repayment Portion"** has the meaning attributed to it in Section 18.13.

**"Revolving Period"** means the period commencing upon the Closing Date and terminating on the date specified in Section 3.4.

**"Security"** has the meaning attributed to it in Section 4.1 and includes any other Lien hereafter granted by the Borrower to secure the payment of Obligations.

**"Subsidiary"** means any Person of which more than 50% of the outstanding Voting Securities are owned, directly or indirectly by or for the Borrower, provided that the ownership of such securities confers the right to elect at least a majority of the Directors of such Person, or a majority of Persons serving similar roles, and includes any legal entity in like relationship to a Subsidiary.

**"Successor Agent"** has the meaning attributed to it in Section 18.6.

**"Taxes"** means all taxes of any kind or nature whatsoever including income taxes, capital taxes, minimum taxes, levies, imposts, stamp taxes, royalties, duties, charges to tax, value added taxes, commodity taxes, goods and services taxes, and all fees, deductions, compulsory loans, withholdings and restrictions or conditions resulting in a charge imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future by any governmental or quasi-governmental authority of or within any jurisdiction whatsoever having power to tax, together with penalties, fines, additions to tax and interest thereon and any instalments in respect thereof.

**"Termination Date"** means the last day of the Revolving Period.

**"Threshold Amount"** means \$500,000.

**"U.S. Base Rate"** means the greater of (i) variable rate of interest quoted by the Facility B Lender from time to time as the reference rate of interest which it employs to determine the interest rate it will charge for demand loans in U.S. Dollars to its customers in Canada and which it designates as its "U.S. Base Rate", (ii) the Federal Funds Rate plus [rate/fee has been redacted]; and (iii) LIBOR for a period of one (1) month on the applicable day (or in respect of any day that is not a LIBOR Banking Day, LIBOR in effect on the immediately preceding LIBOR Banking Day) plus [rate has been redacted].

**"U.S. Base Rate Loan"** means an Advance in U.S. Dollars which bears interest at a rate based on the U.S. Base Rate.

**"U.S. Dollars"** or **"U.S. \$"** each means such currency of the United States of America which, as at the time of payment or determination, is legal tender therein for the payment of public or private debts.

**"Undisclosed Administration"** means, in relation to a Lender, the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender is subject to home jurisdiction supervision and applicable law requires that such appointment not be publicly disclosed.

**"Voting Securities"** means securities of capital stock of any class of any corporation, partnership units in the case of a partnership, trust units in the case of a trust, or other evidence of ownership serving similar purposes, carrying voting rights under all circumstances, provided that, for the purposes of this definition, shares which only carry the right to vote conditionally on the happening of an event will not be considered Voting Securities, whether or not such event will have occurred, nor will any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to securities of another class or classes by reason of the happening of such event.

## **1.2 Headings.**

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

## **1.3 Subdivisions.**

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

**1.4 Number.**

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

**1.5 Statutes, Regulations and Rules.**

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

**1.6 Permitted Encumbrances.**

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

**1.7 Monetary References.**

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

**1.8 Time.**

Time will be of the essence of the Documents.

**1.9 Governing Law.**

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

**1.10 Enurement.**

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

**1.11 Amendments.**

Any provision of this Agreement and any other Document may be amended only if the Borrower and the Majority Lenders so agree in writing and, except as otherwise specifically provided herein, may be waived only if the Majority Lenders so agree in writing, but:

- (a) an amendment, extension or waiver of, or consent or determination relating to, the terms of this Agreement which changes or relates to:
  - (i) the amount, term, currency or types of Loans available hereunder;

- (ii) the aggregate amount of the Lenders' Commitment Amounts under the Credit Facilities;
- (iii) the interest rates and fees set out in Section 3.10 of this Agreement;
- (iv) the definition of "Majority Lenders", "Rateable Portion", "Event of Default" or "Permitted Encumbrances";
- (v) any provision hereof contemplating or requiring consent, approval or agreement of "all Lenders", "the Lenders" or similar expressions or permitting waiver of conditions or covenants or agreements by "all Lenders", "the Lenders" or similar expressions;
- (vi) this Section 1.11; or
- (vii) any definitions contained in Section 1.1 to the extent relevant to the foregoing provisions of this Section 1.11(a);

shall require the agreement or waiver of all the Lenders in each of their sole discretions and also (in the case of an amendment) of the other parties hereto; and

- (b) except as otherwise expressly set forth herein, an amendment, extension or waiver of, or consent or determination relating to, the terms of this Agreement which changes or relates to the rights and/or obligations of the Agent shall also require the agreement of the Agent thereto.

Any such amendment, extension or waiver and any consent by the Agent, any Lender, the Majority Lenders or all of the Lenders under any provision of this Agreement must be in writing and may be given subject to any conditions thought fit by the Person giving that amendment, extension, waiver or consent. Any amendment, extension, waiver or consent shall be effective only in the instance and for the purpose for which it is given. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right under any of the Documents shall operate as a waiver of such right, nor shall any single or partial exercise of any right under any of the Documents preclude any other or further exercise of such right or the exercise of any other right. For certainty, the Agent may (upon instructions acceptable to it) execute such amendments, extensions, waivers or consents on behalf of all the applicable Lenders hereunder, and each such document will be binding on all the Lenders hereunder.

#### **1.12 No Waiver.**

- (a) Subject to Section 1.12(c), no waiver by a Party of any provision or of the breach of any provision of the Documents will be effective unless it is contained in a written instrument duly executed by an authorized officer or representative of such Party. Such written waiver will affect only the matter specifically identified in the instrument granting the waiver and will not extend to any other matter, provision or breach.

- (b) The failure of a Party to take any steps in exercising any right in respect of the breach or non-fulfilment of any provision of the Documents will not operate as a waiver of that right, breach or provision, nor will any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in Law or otherwise.
- (c) Acceptance of payment by a Party after a breach or non-fulfilment of any provision of the Documents requiring a payment to such Party will constitute a waiver of such provision if cured by such payment, but will not constitute a waiver or cure of any other provision of the Documents.

#### **1.13 Severability.**

If the whole or any portion of the Documents or the application thereof to any circumstance will be held invalid or unenforceable to an extent that does not affect the operation of the Document in question in a fundamental way, the remainder of the Document in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, will not be affected thereby and will be valid and enforceable to the fullest extent permitted by applicable Law.

#### **1.14 Inconsistency.**

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

#### **1.15 Accounting Terms and Principles.**

- (a) Except as otherwise expressly provided, all accounting terms, principles and calculations applicable to the Credit Facilities will be interpreted, applied and calculated, as the case may be, in accordance with GAAP. The basis of accounting and all calculations set out in this Agreement will be applied and made on a consistent basis and will not be changed for the purposes of this Agreement unless required by GAAP or as agreed to by the Majority Lenders in writing, such agreement not to be unreasonably withheld, in each case subject to this Section 1.15. It will be reasonable for the Majority Lenders to withhold its consent if a proposed change could adversely affect the obligations of the Borrower or rights of the Majority Lenders under the Documents.
- (b) If the Borrower adopts a change in an accounting policy in the preparation of its financial statements in order to conform to accounting recommendations, guidelines, or similar pronouncements, or legislative requirements (an "Accounting Change") and such Accounting Change could reasonably be expected to adversely affect (i) the rights of, or the protections afforded to, the Lenders hereunder or (ii) the position of either the Borrower or of the Lenders hereunder, the Borrower shall notify the Agent of such Accounting Change (an "Accounting Change Notice"), describing the nature of the change and its effect on the current and immediately prior year's financial statements in detail

sufficient for the Agent and the Lenders to make the determination required of them in Section 1.15(c). The Accounting Change Notice shall be delivered by the Borrower to the Agent within 60 days after the end of the fiscal quarter of the Borrower in which the Accounting Change is reflected in the consolidated financial statements of the Borrower or, if such Accounting Change is implemented in the fourth fiscal quarter of the Borrower or in respect of an entire fiscal year of the Borrower, within 120 days after the end of such period.

- (c) If either the Borrower or the Majority Lenders determine at any time that Accounting Change results in an adverse change either (i) in the rights of, or protections afforded to, the Majority Lenders intended to be derived, or provided for, hereunder or (ii) in the position of either the Borrower or of the Majority Lenders hereunder, written notice of such determination shall be delivered by the Borrower to the Agent, in the case of a determination by the Borrower, or by the Agent to the Borrower, in the case of a determination by the Majority Lenders.
- (d) Upon the delivery of a written notice pursuant to Sections 1.15(c), the Borrower and the Majority Lenders shall meet to consider the impact of such Accounting Change on the rights of, or protections afforded to, the Majority Lenders or on the position of the Borrower or of the Majority Lenders and shall in good faith negotiate to execute and deliver an amendment or amendments to this Agreement in order to preserve and protect the rights of, or protections afforded to, the Majority Lenders on the date hereof or the position of the Borrower or the Majority Lenders (as the case may be) intended on the date hereof; provided that, until this Agreement has been amended in accordance with the foregoing, then for all purposes hereof, the applicable changes in accounting policy shall be disregarded hereunder and any amount required to be determined hereunder shall, nevertheless, continue to be determined under the Borrower's prior accounting policy. For the purposes of this Section 1.15, the Borrower and the Majority Lenders acknowledge that the amendment or amendments to this Agreement are to provide substantially the same rights and protection to the Majority Lenders as is intended by this Agreement on the date hereof. If the Borrower and the Majority Lenders do not (for any reason whatsoever) mutually agree (in their respective sole discretions, without any obligation to so agree) on such amendment or amendments to this Agreement within 30 days following the date of delivery of such written notice, the Borrower shall continue to provide financial statements in accordance with its prior accounting policy and, for all purposes hereof, the applicable changes in accounting policy shall be disregarded hereunder and any amount required to be determined hereunder shall, nevertheless, continue to be determined under the Borrower's prior accounting policy.
- (e) If a Compliance Certificate is delivered in respect of a fiscal quarter or fiscal year of the Borrower in which an Accounting Change is implemented without giving effect to any revised method of calculating the amount to be determined, and subsequently, as provided above, the method of calculating the such amount is

revised in response to such Accounting Change, or the amounts to be determined are to be determined without giving effect to such Accounting Change, the Borrower shall deliver a revised Compliance Certificate giving effect to this change. Any Event of Default which arises as a result of the Accounting Change and which is cured by this Section 1.15 shall be deemed to have never occurred.

- (f) Notwithstanding any other provision of this Section 1.15, the Borrower shall not be required to obtain or provide an audit or review of all or any part of its financial statements by an auditor or any other external party on any basis other than under its then-current application of GAAP in accordance with Section 13.1(i)(ii).

#### **1.16 Schedules.**

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

- Schedule A: Lenders and Individual Commitments
- Schedule B: Form of Closing Certificate
- Schedule C: Form of Closing Opinion
- Schedule D: Form of Environmental Certificate
- Schedule E: Form of Oil and Gas Ownership Certificate
- Schedule F: Form of Assignment and Assumption of Existing Credit Agreements and Debenture
- Schedule G: Form of Demand Debenture
- Schedule H: Form of Notice of Borrowing
- Schedule I: Form of Notice of Conversion or Notice of Repayment
- Schedule J: Form of Compliance Certificate
- Schedule K: Form of Assignment Agreement
- Schedule L: Business Plan

## **ARTICLE 2 DELIVERIES ON CLOSING DATE**

#### **2.1 Deliveries by Borrower.**

On the Closing Date, the Borrower will deliver or cause to be delivered to the Agent for the benefit of the Agent and the Lenders the following:

- (a) this Agreement, duly executed by the Borrower;
- (b) an assignment and assumption of the Pinecrest Credit Agreements and the demand debenture dated April 30, 2013 granted by Pinecrest in favour of the Agent (substantially in the form of Schedule F) between Pinecrest, as assignor, and the Borrower, as assignee;
- (c) the Security as required by Section 4.1, duly executed by the Borrower;

- (d) a Closing Certificate from the Borrower, together with all attachments thereto, duly executed by the Borrower;
- (e) certificates of status or other similar type evidence for the Provinces of Alberta and Saskatchewan in respect of the Borrower;
- (f) an Oil and Gas Ownership Certificate, duly executed by the Borrower;
- (g) an Environmental Certificate, duly executed by the Borrower;
- (h) a Compliance Certificate, giving pro forma effect to the Arrangement and the Amalgamation;
- (i) the Closing Opinion;
- (j) a Notice of Borrowing in respect of the initial Advance to be made hereunder;
- (k) the Business Plan, in form and substance satisfactory to the Agent;
- (l) the payment of all fees and expenses (including commitment, agency, underwriting and upfront fees) which are payable by the Borrower to the Agent and the Lenders, in connection with the Credit Facilities; and
- (m) such other documents and documentation which the Agent and the Lenders may reasonably request.

### ARTICLE 3 CREDIT FACILITIES

#### 3.1 Facility A.

Subject to the terms and conditions hereof:

- (a) Each of the Facility A Lenders hereby establish the Facility A in favour of the Borrower in respect of the such Lender's Individual Facility A Commitment in an aggregate amount of the Facility A Commitment Amount from time to time.
- (b) Subject to Section 3.5, Accommodations under Facility A may be drawn down by the Borrower during the Revolving Period in Canadian Dollars, to a maximum of the Facility A Commitment Amount.

#### 3.2 Facility B.

Subject to the terms and conditions hereof:

- (a) The Facility B Lender hereby establishes Facility B in favour of the Borrower.

- (b) Subject to Section 3.5, Accommodations under Facility B may be drawn down by the Borrower during the Revolving Period in Canadian Dollars, or the Canadian Dollar Exchange Equivalent thereof in U.S. Dollars, or any combination thereof, to a maximum of the Facility B Commitment Amount.

### 3.3 Maximum Commitment Amount and Repayment of Pinecrest Credit Agreements.

Notwithstanding anything else set forth herein, the Commitment Amount shall not exceed \$97,000,000 and, to the extent that the aggregate principal amount outstanding under the Pinecrest Credit Agreements on the Closing Date is less than \$114,000,000 (prior to a minimum repayment of \$17,000,000 from the proceeds of the Arrangement), the Commitment Amount shall be reduced dollar for dollar. Immediately upon this Agreement becoming effective, the outstanding obligations under the Pinecrest Credit Agreements shall be repaid first using Advances from Facility A and then with Advances from Facility B, upon which the Pinecrest Credit Agreements shall and shall deemed to be terminated. To the extent the Commitment Amount is reduced in accordance with this Section, any adjustments will be made first to the Facility A Commitment Amount and then to the Facility B Commitment Amount.

### 3.4 Revolving Period.

The Revolving Period will end on September 30, 2016.

### 3.5 Repayment.

#### (a) Facility A.

- (i) **Revolving Nature.** During the Revolving Period, the Borrower may borrow, repay and re-borrow Advances under Facility A, subject to Section 3.1(b), 3.4 and 5.7.
- (ii) **Termination.** The Aggregate Principal Amount under Facility A on the Facility A Termination Date, together with all accrued but unpaid interest and fees thereon and all other Obligations owing to the Facility A Lenders in connection therewith will be unconditionally and irrevocably repayable by the Borrower on the Facility A Termination Date.

#### (b) Facility B.

- (i) **Revolving Nature.** During the Revolving Period, the Borrower may borrow, repay and re-borrow Advances under Facility B, subject to Section 3.2(b), 3.4 and 5.7.
- (ii) **Termination.** The Aggregate Principal Amount under Facility B on the Facility B Termination Date, together with all accrued but unpaid interest and fees thereon and all other Obligations owing to the Facility B Lender in connection therewith will be unconditionally and irrevocably repayable by the Borrower on the Facility B Termination Date.

### 3.6 Mandatory Repayments and Reductions of Commitment Amount.

During the period from April 1, 2016 to the Termination Date, the Borrower shall, no later than 30 days after the end of each calendar month, use all Available Cash Flow in respect of the immediately prior calendar month to permanently repay the Aggregate Principal Amount under Facility A and the Commitment Amount shall be reduced by the amount of that payment. Each such payment shall be accompanied by a summary setting forth reasonable detail of the calculation of the Available Cash Flow comprising such payment.

### 3.7 Prepayment and Cancellation.

With the same notice required when the Advance to be prepaid was made, the Borrower may at any time prepay (in respect of Facility A, in minimum amounts of Cdn. \$5,000,000, and in multiples of Cdn. \$1,000,000 for any amount in excess thereof and in respect of Facility B, in minimum amounts of Cdn. \$500,000 or U.S. \$500,000, as applicable, and in multiples of Cdn. \$500,000 or U.S. \$500,000, as applicable, for any amount in excess thereof; provided, however, that there shall be no minimum prepayment amount with respect to Canadian Prime Rate Loans or U.S. Base Rate Loans) without premium, bonus or penalty, any or all of the Aggregate Principal Amount under the Credit Facilities. At any time during the Revolving Period, the Borrower may also, upon the Borrower giving the Agent not less than 3 Banking Days prior notice, cancel (in respect of Facility A, in minimum amounts of Cdn. \$5,000,000, and in multiples of Cdn. \$5,000,000 for any amount in excess thereof and, in respect of Facility B, in minimum amounts of Cdn. \$500,000 or U.S. \$500,000, as applicable, and in multiples of Cdn. \$500,000 or U.S. \$500,000, as applicable, for any amount in excess thereof) any undrawn portion of any of the Facility A Commitment Amount or the Facility B Commitment Amount, as applicable, including any undrawn portion resulting from a prepayment.

### 3.8 Use of Proceeds.

The Borrower will be entitled, subject to the provisions hereof dealing with Hostile Acquisitions and Section 13.2(n), to use the proceeds of the Credit Facilities initially to repay the Pinecrest Credit Agreements and for general corporate purposes, including capital expenditures related to the exploration, development and production of Canadian P&NG Rights in Western Canada and related facilities of the Borrower.

### 3.9 Types of Accommodation.

- (a) Facility A. The Borrower may from time to time obtain Advances under Facility A by way of Canadian Prime Rate Loans, in principal amounts of not less than Cdn.\$2,000,000 and in multiples of Cdn.\$200,000 for any amounts in excess thereof.
- (b) Facility B. The Borrower may from time to time obtain Advances under Facility B by way of:
  - (i) Canadian Prime Rate Loans, in principal amounts of not less than Cdn.\$500,000 and in multiples of Cdn.\$100,000 for any amounts in excess thereof or, if borrowed by way of Overdraft, in any amounts;

- (ii) U.S. Base Rate Loans, in principal amounts of not less than U.S.\$500,000 and in multiples of U.S.\$100,000 for any amounts in excess thereof or, if borrowed by way of Overdraft, in any amounts; and
- (iii) Letters of Credit with terms not exceeding one (1) year; provided that, the aggregate amount of the outstanding Letters of Credit issued hereunder shall not exceed Cdn.\$250,000.

**3.10 Interest and Fees.**

- (a) Interest and Fees on the Credit Facilities. Interest and fees payable by the Borrower under the Credit Facilities will be applied in the following manner:
  - (i) each Canadian Prime Rate Loan drawn under Facility A or Facility B will bear interest at a variable rate of interest per annum equal to the Canadian Prime Rate plus the applicable margin indicated in the Pricing Table;
  - (ii) each U.S. Base Rate Loan drawn under Facility B will bear interest at a variable rate of interest per annum equal to the U.S. Base Rate plus the applicable margin indicated in the Pricing Table;
  - (iii) the Borrower will pay to the Facility B Lender an issuance or renewal fee (the "Letter of Credit Fee") in respect of each Letter of Credit under Facility B on the date of issuance or renewal thereof at the applicable rate indicated in the Pricing Table, together with all other customary administrative charges in respect thereof provided that such fee will be in a minimum amount of \$[fee has been redacted] on each issuance or renewal; provided, however, that the Letter of Credit Fee for Performance LCs shall be [fee/rate has been redacted] of the applicable rate indicated in the Pricing Table;
  - (iv) each Overdraft drawn under Facility B will bear interest at a variable rate of interest per annum equal to the Canadian Prime Rate or the U.S. Base Rate, as applicable, plus the applicable margin indicated in the Pricing Table; and
  - (v) the standby fee payable by the Borrower in respect of Facility A or Facility B as set forth in Section 10.1 will be calculated based upon the applicable standby fee indicated in the Pricing Table.

**Pricing Table**

Level	Debt to EBITDA Ratio	Canadian Prime Rate/U.S. Base Rate Margin	Letter of Credit Fee	Standby Fees
I.	≤ 1.00:1	[rate has been redacted]	[rate/fee has been redacted]	[rate/fee has been redacted]

Pricing Table

Level	Debt to EBITDA Ratio	Canadian Prime Rate/U.S. Base Rate Margin	Letter of Credit Fee	Standby Fees
				redacted]
II	> 1.00:1 ≤ 1.50:1	[rate has been redacted]	[ratelfee has been redacted]	[ratelfee has been redacted]
III	> 1.50:1 ≤ 2.00:1	[rate has been redacted]	[ratelfee has been redacted]	[ratelfee has been redacted]
IV	> 2.00:1 ≤ 2.50:1	[rate has been redacted]	[ratelfee has been redacted]	[ratelfee has been redacted]
V	> 2.50:1 ≤ 3.00:1	[rate has been redacted]	[ratelfee has been redacted]	[ratelfee has been redacted]
VI	> 3.00:1	[rate has been redacted]	[ratelfee has been redacted]	[ratelfee has been redacted]

Prior to any adjustment to the margins and fees that are payable in accordance with the Pricing Table which would result from the delivery by the Borrower to the Lenders of the first Compliance Certificate pursuant to Section 13.1(h), the Borrower will be deemed to be at Level VI of the Pricing Table. For purposes of calculating the Debt to EBITDA Ratio as at any quarter end following the Closing Date (I) EBITDA as at the end of the first full quarter following the Closing Date shall be deemed to be the EBITDA for that quarter multiplied by 4, (II) EBITDA as at the end of the second full quarter following the Closing Date shall be deemed to be the EBITDA for the two quarters then ended multiplied by 2, and (III) EBITDA as at the end of the third full quarter following the Closing Date shall be deemed to be the EBITDA for the three quarters then ended multiplied by 4/3.

- (b) Changes in Rates due to Change in Ratio. For purposes of the Credit Facilities, the effective date on which any change in interest rates, Letter of Credit Fees or standby fees occurs will be the first day of the fiscal quarter of the Borrower commencing immediately after the fiscal quarter of the Borrower in which a Compliance Certificate is delivered, or should have been delivered in accordance with this Agreement, which evidences a change in the Debt to EBITDA Ratio. Any increase or decrease in the Letter of Credit Fees outstanding on the effective

date of a change in the aforesaid rates will apply proportionately to each such Letter of Credit outstanding on the basis of the number of days remaining in the term thereof. The Borrower will pay to the Facility B Lender any resulting increase in Letter of Credit Fees with respect to outstanding Letters of Credit on or prior to the third Banking Day following the effective date of such increase.

- (c) Event of Default. Effective immediately following receipt by the Borrower of a notice of an Event of Default (the "Effective Date"), the interest rates then applicable to Canadian Prime Rate Loans, U.S. Base Rate Loans and Letter of Credit Fees will each increase by [rate/fee has been redacted] and such increase will remain in effect for as long as an Event of Default subsists. An increase in Letter of Credit Fees as aforesaid arising from an Event of Default will on the Effective Date apply proportionately to each Letter of Credit outstanding on the basis of the number of days remaining in the term to maturity of each such Advance. The Borrower will pay to the Facility B Lender any resulting increase in Letter of Credit Fees on or prior to the third Banking Day following the Effective Date. In the event that the Event of Default no longer subsists and the Borrower has paid in advance the increased fees on a Letter of Credit for the term to maturity of a Letter of Credit, the Facility B Lender will apply the amount of the increase for the remaining term to maturity of such Advance against future Obligations of the Borrower under Facility B.

### 3.11 Overdrafts.

- (a) In the event that, at any time and from time to time, an Overdraft exists in the Borrower's Account, then:
- (i) the Borrower shall be deemed to have delivered to the Facility B Lender a Notice of Borrowing requesting a Canadian Prime Rate Loan under Facility B in the amount of that Overdraft;
  - (ii) the Borrower shall be deemed to have confirmed to the Facility B Lender that (i) all representations and warranties of the Borrower under this Agreement are true and correct; (ii) all covenants of the Borrower under this Agreement have been complied with; and (iii) no Default or Event of Default has occurred and is continuing, or would occur after giving effect to such Advance; and
  - (iii) provided the Facility B Lender is not otherwise aware that any Default or Event of Default has occurred and is continuing, or that any Default or Event of Default would occur after giving effect to such Advance, the Facility B Lender will convert all or a portion of that Overdraft equal to the lesser of the amount of that Overdraft and the amount of the unutilized portion of the Facility B Commitment Amount at that time into a Canadian Prime Rate Loan.
- (b) The Borrower acknowledges and agrees that any and all Overdraft balances which are converted into a Canadian Prime Rate Loan in accordance with the

foregoing shall constitute an obligation of the Borrower under this Agreement, regardless of whether the Facility B Lender has given notice of such conversion to the Borrower.

- (c) The Borrower agrees not to effect any Overdraft hereunder which would cause the Aggregate Principal Amount under Facility B to exceed the Facility B Commitment Amount (the amount of such excess being the "Excess Overdraft Indebtedness"), and acknowledges that the Facility B Lender reserves the right to refuse to honour any Overdraft hereunder which, in the opinion of the Facility B Lender, would have the effect of resulting in Excess Overdraft Indebtedness. If at any time the Facility B Lender becomes aware that any Overdraft hereunder would result in any Excess Overdraft Indebtedness, the Facility B Lender may deliver to the Borrower a notice setting out the amount of such Excess Overdraft Indebtedness and, upon receipt of such notice the Borrower will eliminate the amount of such Excess Overdraft Indebtedness within three Banking Days of receipt of such notice by such other means as are acceptable to the Facility B Lender, including making a prepayment.

#### ARTICLE 4 SECURITY

##### 4.1 Security.

The present and future Obligations of the Borrower to the Lenders under the Documents and all other Obligations (including, without limitation, Bank Product Obligations) of the Borrower to the Lenders, howsoever arising or incurred hereunder and under the Documents and any documents relating to the Bank Products, as applicable, will be secured by a demand debenture (substantially in the form of Schedule G) in the amount of \$300,000,000 from the Borrower in favour of the Agent providing a fixed and floating charge and general security interest over all of the undertaking, property and assets of the Borrower, present and future, and to be registered in all appropriate jurisdictions (the "Security").

##### 4.2 Sharing of Security.

The Borrower, the Agent and the Lenders agree and acknowledge that, subject to Section 15.6, the Security is being shared equally among the Lenders to secure the Obligations (including, without limitation, Bank Product Obligations) of the Borrower under the Documents on a rateable basis; and that the Agent will hold the Security for the benefit of the Lenders hereunder. For purposes of the above sentence, "rateable basis" means, with respect to the Lenders under a Credit Facility, the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount and other Obligations under such Credit Facility relative to the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount and other Obligations under all Credit Facilities. If requested by the Lenders, the Lenders will enter into such further agreements and assurances as may be reasonably requested to further evidence the provisions of this Section 4.2.

**4.3 Exclusivity of Remedies.**

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

**4.4 Form of Security.**

The Security will be in such form or forms as will be required by the Agent, acting reasonably, and will be registered in such offices in Canada or any province thereof as the Agent may from time to time require to protect the Liens created thereby. Should the Agent determine at any time and from time to time that the form and nature of the then existing Security is deficient in any way or does not fully provide the Agent and Lenders with the Liens and priority to which it is entitled hereunder, the Borrower will forthwith execute and deliver or cause to be executed and delivered to the Agent, at the Borrower's expense, such amendments to the Security or provide such new security as the Agent may reasonably request.

**4.5 After-Acquired Property.**

All property acquired by or on behalf of the Borrower after the date of execution of the Security which forms part of the property of the Borrower (hereafter collectively referred to as "After-Acquired Property"), will be subject to the Security without any further conveyance, mortgage, pledge, charge, assignment or other act on the part of the Parties. Without limiting the effect of the preceding sentence, the Borrower will from time to time execute and deliver and the Agent will register, all at the Borrower's expense, such instruments supplemental to the Security, in form and substance satisfactory to the Agent, acting reasonably, as may be necessary or desirable to ensure that the Security as amended and supplemented constitutes in favour of the Agent and the Lenders an effective Lien to the extent created by the Security over such After-Acquired Property as required hereunder, subject only to Permitted Encumbrances which under applicable Law rank in priority thereto.

**4.6 Discharge of Security.**

The Agent and the Lenders will discharge the Security at the Borrower's expense forthwith after all of the Borrower's Obligations have been unconditionally and irrevocably and indefeasibly paid or satisfied in full.

**ARTICLE 5  
FUNDING AND OTHER MECHANICS**

**5.1 Funding of Accommodations.**

Subject to Section 5.2, all Advances requested by the Borrower will be made available by deposit of the applicable funds into the Borrower's Account for value on the Banking Day on which the Advance is to take place.

## **5.2 Notice Provisions.**

Drawdowns under the Credit Facilities will be made available to the Borrower and the Borrower will be entitled to effect a Conversion where permitted hereunder, in each case on the requested Banking Day, provided a Notice of Borrowing or Notice of Conversion, as applicable, is received by the Agent from the Borrower as follows:

- (a) with respect to a Drawdown of Canadian Prime Rate Loans under Facility A, at least one (1) Banking Day prior to the proposed Drawdown Date, provided that notice is received by the Agent no later than 9:00 a.m. (Calgary time) on the Banking Day immediately preceding the Drawdown Date;
- (b) with respect to Drawdowns of Canadian Prime Rate Loans and Drawdowns of U.S. Base Rate Loans under Facility B, on the Drawdown Date of such Drawdown, provided that notice is received by the Agent no later than 12:00 noon (Toronto time) on the Drawdown Date.

Any of the notices referred to in the foregoing paragraphs of this Section 5.2 may, subject to Section 19.2, be given by the Borrower, solely at the risk of the Borrower, to the Agent by telephone and in such case will be followed by the Borrower delivering to the Agent on the same day the written notice required hereunder confirming such instructions.

## **5.3 Irrevocability.**

A Notice of Borrowing or Notice of Conversion when given by the Borrower will be irrevocable and will oblige the Borrower, the Agent and the Lenders to take the action contemplated herein and therein on the date specified therein, provided that, any such notice will not be binding on the Lenders if it has made a determination under Section 9.2.

## **5.4 Conversion of Accommodations.**

- (a) Subject to Section 5.2, the Borrower will be entitled to effect a Conversion of one type of Accommodation into another type of Accommodation on the terms herein provided.
- (b) The Borrower may not effect a Conversion of a Letter of Credit.

## **5.5 Agent's Obligations with Respect to Canadian Prime Rate Loans and U.S. Base Rate Loans.**

Upon receipt of a Notice of Borrowing, or Notice of Conversion with respect to a Canadian Prime Rate Loan or a U.S. Base Rate Loan under the Credit Facilities, the Agent shall forthwith notify the Lenders of the requested type of Loan and the Credit Facility under which the Loan is requested, of the proposed Notice of Borrowing or Notice of Conversion, of each Lender's Rateable Portion of such Loan and, if applicable, of the account of the Agent to which each Lender's Rateable Portion is to be credited.

**5.6 Lenders' and Agent's Obligations with Respect to Canadian Prime Rate Loans and U.S. Base Rate Loans.**

Upon receipt by the Agent of a Notice of Borrowing received pursuant to Section 5.2, the Agent shall determine each Lender's Rateable Portion and shall promptly provide the calculation of its amount accompanied by such Notice of Borrowing to each Lender. If a Lender does not intend to honour a Notice of Borrowing, it shall provide written notice of such to the Agent, although such notice shall not mitigate the obligation of any given Lenders to fund hereunder. If no such notice is provided by a Lender, the Agent may assume that each Lender will fund its Rateable Portion. Each Lender shall, for same day value on the Notice of Borrowing specified by the Borrower in a Notice of Borrowing with respect to a Canadian Prime Rate Loan or a U.S. Base Rate Loan under the applicable Credit Facility, credit the Agent's account specified in the Agent's notice given under Section 5.2 with such Lender's Rateable Portion of each such requested Loan for same day value. On the same date, the Agent shall pay to the Borrower the full amount of the amounts so credited in accordance with any payment instructions set forth in the applicable Notice of Borrowing.

**5.7 Exchange Rate Fluctuations.**

- (a) Subject to Section 5.7(b), if as a result of currency fluctuation the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount owing to the Lenders under the Credit Facilities exceeds the Commitment Amount (the "Excess"), the Borrower will forthwith pay the Excess to the Agent as a Principal Repayment for the benefit of the Lenders to be shared on a *pro rata* basis between each of the Lenders.
- (b) If the Excess represents an amount which is less than 1% of the then current Commitment Amount, then the Borrower will only be required to repay the Excess within 15 days of such amount arising.

**ARTICLE 6  
DRAWDOWNS UNDER THE CREDIT FACILITIES**

**6.1 Conditions Precedent to Effectiveness.**

The effectiveness of this Agreement is subject to the following conditions precedent being met:

- (a) the Borrower will have complied, or caused to be complied, with the deliveries required under Section 2.1;
- (b) the Agent shall have received satisfactory evidence that:
  - (i) the aggregate amount of all obligations under the Pinecrest Credit Agreements immediately prior to the effectiveness of this Agreement (but before giving effect to the Arrangement or any of the transactions contemplated thereby) is not more than \$114,000,000;

- (ii) all governmental, shareholder and regulatory approvals and third party consents, if any, required in connection with the closing of the Arrangement have been obtained;
  - (iii) all conditions precedent to the Arrangement have been satisfied without any amendment or waiver of any such condition which is material to the interests of the Lenders;
  - (iv) the Arrangement shall close concurrently with the initial Drawdown hereunder;
  - (v) aggregate proceeds of not less than \$2,000,000 from an equity financing of the Borrower (excluding, for certainty, the amount associated with any issuance of shares to the executive officers of Pinecrest and/or Dolomite in settlement of all or any portion of the severance and/or change of control obligations owed or owing to those individuals) have been deposited in escrow to be released upon completion of the Amalgamation (the "Equity Proceeds"); and
  - (vi) concurrent with closing of the Arrangement, the Pinecrest Credit Agreements shall be assumed by the Borrower and immediately repaid (using the proceeds of the first Advance hereunder) and terminated;
- (c) no Default or Event of Default will have occurred and be continuing or will result from this Agreement becoming effective;
  - (d) each of the representations and warranties set out in Article 12 will be true and correct as of the Closing Date;
  - (e) since the date the Borrower was incorporated, no circumstance or event has occurred which could reasonably be expected to have a Material Adverse Effect (nor have the Lenders become aware of any fact or facts not previously known, which, in the opinion of the Lenders, are reasonably likely to have a Material Adverse Effect), and there has been no material adverse change in the consolidated financial condition, operations or activities of the Borrower, or of its assets, taken as a whole and giving pro forma effect to the Arrangement and the Amalgamation;
  - (f) the Agent will have received an opinion from Lenders' counsel in a form satisfactory to the Agent and the Lenders;
  - (g) the Borrower shall have paid to the Agent all fees and expenses required to be paid by or on behalf of the Borrower on or before the Closing Date;
  - (h) all registrations, filings or recordings necessary or desirable in connection with the Security (other than the fixed charge registrations) shall have been made in such jurisdictions as the Agent may require;

- (i) there shall not have occurred, developed or come into effect or existence any adverse change in the market for credit facilities similar in nature to the Credit Facilities, or any material disruption of, or a material adverse change in, financial, banking or capital markets generally in each case as determined by the Agent in its sole discretion; and
- (j) the Lenders have completed, to their satisfaction, a due diligence review of the Borrower, including, the completion of the services provided by Alvarez & Marsal Canada ULC set forth in the engagement letter dated January 14, 2015 among the Agent, Alvarez & Marsal Canada ULC, Pinecrest and the Borrower and the results of such services are satisfactory to the Lenders, acting reasonably.

## **6.2 Conditions Precedent to Drawdowns and Conversions.**

The obligation of the Lenders to make any Advance under this Agreement is subject to the following conditions precedent being met:

- (a) the appropriate Notice of Borrowing or Notice of Conversion will have been delivered in accordance with the notice provisions provided in Section 5.2;
- (b) no Default or Event of Default will have occurred and be continuing or will result from either the Advance or the application of the proceeds of such Advance;
- (c) subject to Section 12.2, each of the representations and warranties set out in Article 12 will be true and correct with the same effect as if such representations and warranties had been made on the date of such Advance; and
- (d) the notice with respect to a Hostile Acquisition if required to be given pursuant to Section 6.3 will have been provided by the Borrower and the other provisions of Section 6.3, if applicable, will have been complied with.

## **6.3 Hostile Acquisitions.**

- (a) If the Borrower wishes to utilize proceeds of one or more Loans under the Credit Facilities to, directly or indirectly, facilitate, assist or participate in a Hostile Acquisition by the Borrower, then:
  - (i) at least five (5) Banking Days prior to the delivery to the Agent of any Notice of Borrowing pursuant to Section 5.2 requesting one or more Loans intended to be used to finance such Hostile Acquisition, the Borrower shall advise the Agent, who shall promptly advise an appropriate officer of each Lender under the Credit Facilities of the particulars of such Hostile Acquisition in sufficient detail to enable each such Lender (the "Notified Lender") to determine, in each Lender's sole discretion, whether it will permit such Drawdown to finance such Hostile Acquisition;

- (ii) within three (3) Banking Days of being so advised, each Notified Lender shall notify the Agent of such Notified Lender determination as to whether or not it will fund such Hostile Acquisition (such determination to be made by such Notified Lender in the exercise of its sole discretion, having regard to such considerations as it deems appropriate); provided that in the event such Notified Lender does not so notify the Agent within such three (3) Banking Day period, such Notified Lender shall be deemed to have notified the Agent that it has no such conflict of interest; and
- (iii) the Agent shall promptly notify the President or Chief Financial Officer of the Borrower of each Notified Lender's determination;

and in the event that any Notified Lender has decided, or deemed to have decided, not to fund an Advance to be utilized for such Hostile Acquisition (an "Affected Lender"), then upon the Agent so notifying the Borrower, the Affected Lender shall have no obligation to provide Loans to finance such Hostile Acquisition, notwithstanding any other provision of this Agreement to the contrary; provided however that each other Notified Lender (a "Non-Affected Lender") which has, or is deemed to have, decided to fund such Advance shall have an obligation, up to the amount of its Individual Commitment under the Credit Facilities, to provide Loans to finance such Hostile Acquisition, and Loans to finance such Hostile Acquisition shall be provided by each Non-Affected Lender in accordance with the ratio, decided prior to the provision of any Loans to finance such Hostile Acquisition, that the Individual Commitment of such Non-Affected Lender under the Credit Facilities bears to the aggregate of the Individual Commitments of all the Non-Affected Lender under the Credit Facilities.

- (b) If Loans are used to finance a Hostile Acquisition and there are Affected Lenders, subsequent Loans under the Credit Facilities shall be funded firstly by such Affected Lender, and subsequent repayments under the Credit Facilities shall be applied firstly to Non-Affected Lenders, in each case, until such time as the proportion that the amount of each Lender's Outstanding Principal under the Credit Facilities bears to the amount of the total Outstanding Principal under the Credit Facilities of all Lenders is equal to such proportion which would have been in effect but for the application of this Section 6.3.

## ARTICLE 7 CALCULATION OF INTEREST AND FEES

### 7.1 Records.

The Agent will maintain records, in written or electronic form, evidencing all Advances and all other Obligations owing by the Borrower to the Lenders under this Agreement. The Agent will enter in such records details of all amounts from time to time owing, paid or prepaid by the Borrower to it hereunder. The information entered in such records will constitute *prima facie* evidence of the Obligations of the Borrower to the Lenders under this Agreement. In

addition, each Lender will maintain records, in written or electronic form, evidencing all Advances and other Obligations owing by the Borrower to such Lender. The information entered in such records will constitute *prima facie* evidence of the Obligations of the Borrower to the Agent and each Lender. In the event of a conflict between the records of the Agent and a Lender maintained pursuant to this Section 7.1, the records of the Agent shall prevail, absent manifest error.

## 7.2 Payment of Interest and Fees.

- (a) Interest. Except as expressly stated otherwise herein, all Canadian Prime Rate Loans and U.S. Base Rate Loans from time to time outstanding will bear interest, as well after as before maturity, default and judgment, with interest on overdue interest, at the applicable rates as prescribed under Section 3.10 or Section 19.10. Interest payable at a variable rate will be adjusted automatically without notice to the Borrower whenever there is a variation in such rate.
- (b) Calculation of Interest and Fees. Interest on Canadian Prime Rate Loans and U.S. Base Rate Loans will accrue and be calculated but not compounded daily and be payable monthly in arrears on the first Banking Day of each Month for the immediately preceding Month, or, after notice to the Borrower, on such other Banking Day as is customary for the Agent having regard to its then existing practice. Interest on Canadian Prime Rate Loans and U.S. Base Rate Loans and Letter of Credit Fees will be calculated on the basis of a 365 day year.
- (c) Interest Act (Canada). For the purposes of the *Interest Act (Canada)* and any other applicable Laws which may hereafter regulate the calculation or computation of interest on borrowed funds, the annual rates of interest and fees applicable to Canadian Prime Rate Loans, U.S. Base Rate Loans and Letters of Credit, respectively, are the rates as determined hereunder multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest or stamping fee is payable and divided by 365.

## 7.3 Debit Authorization.

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

## 7.4 Conversion to Another Currency.

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

## 7.5 Maximum Rate of Return.

Notwithstanding any provision herein to the contrary, in no event will the aggregate "interest" (as defined in section 347 of the *Criminal Code (Canada)*) payable under this

Agreement exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section 347) permitted under that section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that section 347) is determined to be contrary to the provisions of that section 347, such payment, collection or demand will be deemed to have been made by mutual mistake of the Borrower and the applicable Lenders and the amount of such payment or collection will be refunded to the Borrower. For purposes of this Agreement, the effective annual rate of interest will be determined in accordance with generally accepted actuarial practices and principles over the term of the Credit Facilities on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Agent will be *prima facie* evidence, for the purposes of such determination.

**7.6 Waiver of Judgment Interest Act (Alberta).**

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

**7.7 Deemed Reinvestment Not Applicable.**

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

**ARTICLE 8  
LETTERS OF CREDIT**

**8.1 General.**

- (a) Each Letter of Credit will be made available by the Facility B Lender and each Letter of Credit (including all documents and instruments required to be presented thereunder) will be satisfactory in form and substance to the Facility B Lender, acting reasonably. No Letter of Credit will be issued (or will be renewable at the option of the beneficiary thereunder) for a term in excess of one year, or will require payment in any currency other than Canadian Dollars or U.S. Dollars.
- (b) As a condition of the issuance or renewal of any Letter of Credit, the Borrower will pay to the Facility B Lender the issuance fee specified in Section 3.10(a) on the day of issue. The Borrower will also pay to the Facility B Lender its customary administrative charges in respect of the issue, amendment, renewal or transfer of such Letter of Credit, and each drawing made under such Letter of Credit.
- (c) The Borrower will pay to the Facility B Lender sufficient funds in the applicable currency immediately on demand by the Facility B Lender, to reimburse the Facility B Lender for any payment made by it pursuant to such Letter of Credit.

If the Borrower does not make any payment required by the preceding sentence from the proceeds of an Accommodation obtained under this Agreement or otherwise, the Facility B Lender may (but will not be obliged to), without receipt of a Notice of Borrowing and irrespective of whether any other applicable conditions precedent specified herein have been satisfied, make a Canadian Prime Rate Loan or a U.S. Base Rate Loan, as applicable, to the Borrower under Facility B in the amount of such required payment. The Borrower agrees to accept each such Canadian Prime Rate Loan or U.S. Base Rate Loan, as applicable, and hereby irrevocably authorizes and directs the Facility B Lender to apply the proceeds thereof in payment of the liability of the Borrower with respect to such required payment.

- (d) If any Letter of Credit is outstanding at any time that an Event of Default occurs or a domestic or foreign court issues any judgment or order restricting or prohibiting payment by the Facility B Lender under such Letter of Credit or extending the liability of the Facility B Lender to make payment under such Letter of Credit beyond the expiry date specified therein, the Borrower will forthwith upon demand by the Facility B Lender pay to the Facility B Lender funds in the applicable currency in the undrawn amount of the Letter of Credit and such funds (together with interest thereon) will be held by the Facility B Lender for payment of any liability under such Letter of Credit, and shall bear interest at the Facility B Lender's then prevailing rate payable by it in respect of deposits of similar amounts and of similar periods of time. Any balance of such funds and interest remaining at such time as the Facility B Lender does not have and may never have any liability under such Letter of Credit will nevertheless continue to be held by the Facility B Lender, if and so long as any Event of Default is continuing, as security for the remaining liabilities of the Borrower hereunder.
- (e) The Borrower agrees that neither the Facility B Lender nor its officers, Directors, employees or agents will assume liability for, or be responsible for, the following:
  - (i) the use which may be made of any Letter of Credit;
  - (ii) any acts or omissions of the beneficiary of any Letter of Credit including the application of any payment made to such beneficiary;
  - (iii) the form, validity, sufficiency, correctness, genuineness or legal effect of any document or instrument relating to any Letter of Credit which on its face complies with requirements of the Letter of Credit, even if such document or instrument should in fact prove to be in any respect invalid, insufficient, inaccurate, fraudulent or forged;
  - (iv) the failure of any document or instrument to bear any reference or adequate reference to any Letter of Credit;

- (v) any failure to note the amount of any draft on any Letter of Credit or on any related document or instrument;
  - (vi) any failure of the beneficiary of any Letter of Credit to meet the obligations of such beneficiary to the Borrower or any other Person other than the Facility B Lender;
  - (vii) any errors, inaccuracies, omissions, interruptions or delays in transmission or delivery of any messages, directions or correspondence by mail, facsimile or otherwise, whether or not they are in cipher;
  - (viii) any inaccuracies in the translation of any messages, directions or correspondence or for errors in the interpretation of any technical terms; or
  - (ix) any failure by the Facility B Lender to make payment under any Letter of Credit as a result of any Law, control or restriction rightfully or wrongfully exercised or imposed by any domestic or foreign court or Administrative Body or as a result of any other cause beyond the control of the Facility B Lender or its officers, Directors or employees or agents. This Section 8.1(e) will survive the termination of this Agreement; provided that nothing in this Agreement shall exonerate the Facility B Lender for its gross negligence or wilful misconduct.
- (f) The obligations of the Borrower under this Article 8, with respect to any Letter of Credit will be absolute, unconditional and irrevocable, and will be performed strictly in accordance with the terms hereof under all circumstances including:
- (i) any matter referred to in Section 8.1(e);
  - (ii) any invalidity of any obligation secured by any Letter of Credit;
  - (iii) any incapacity, disability or lack or limitation of status or of power of the Borrower or the beneficiary of any Letter of Credit;
  - (iv) any lack of validity or enforceability of any Letter of Credit;
  - (v) the existence of any claim, setoff, defence or other right which the Borrower may have at any time against the Facility B Lender, the beneficiary of any Letter of Credit or any other Person; or
  - (vi) any breach of contract or other dispute between the Borrower and the Facility B Lender, the beneficiary of any Letter of Credit or any other Person.
- (g) The Facility B Lender may accept as complying with the terms of any Letter of Credit any document or instrument required by such Letter of Credit to be completed, signed, presented or delivered by or on behalf of any beneficiary

thereunder which has been completed, signed, presented or delivered by a receiver, trustee in bankruptcy, assignee for the benefit of creditors, secured party or other like Person believed in good faith by the Facility B Lender to be lawfully entitled to the property of such beneficiary, and the Facility B Lender may make payments under such Letter of Credit to such Person. The provisions of this Article 8 are for the sole benefit of the Facility B Lender and the Persons indemnified under Section 8.1(e) and may not be relied on by any other Person.

- (h) Each Letter of Credit, except as specifically provided therein, and subject to any provision hereof to the contrary, will be subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce current at the time of issuance of such Letter of Credit.
- (i) For the purpose of calculating the Aggregate Principal Amount in respect of a Letter of Credit and for any other relevant provision of this Agreement, the amount of Accommodation constituted by any Letter of Credit will be the maximum amount which the Facility B Lender may in all circumstances be required to pay pursuant to the terms thereof.

## ARTICLE 9 INCREASED COSTS

### 9.1 Changes in Law.

- (a) If, after the date hereof, due to either:
  - (i) the introduction of, or any change in, or in the interpretation of any Law, whether having the force of law or not, resulting in the imposition or increase of reserves, deposits or similar requirements by any central bank or Administrative Body charged with the administration thereof; or
  - (ii) the compliance with any guideline or request from any central bank or other Administrative Body which a Lender, acting reasonably, determines that it is required to comply with, there will be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining an Accommodation or there will be any reduction in the effective return to such Lender thereunder, then, subject to Section 9.1(b), the Borrower will, within five (5) Banking Days after being notified by such Lender of such event, pay to such Lender, quarterly in arrears, that amount (the "Additional Compensation") which such Lender, acting reasonably, determines will compensate it, after taking into account all applicable Taxes and all interest and other amounts received, for any such increased costs or reduced returns incurred or suffered by such Lender.

- (b) If Additional Compensation is payable pursuant to Section 9.1(a), the Borrower will have the option to convert the Accommodation to another type of Accommodation, in accordance with this Agreement, in respect of which no further Additional Compensation will be payable or prepay any amount of the applicable Credit Facility owed to the Lender entitled to receive such Additional Compensation.

## 9.2 Changes in Circumstances.

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

- (a) any change in applicable Law, or in the interpretation or administration thereof by authorities having jurisdiction in the matter; or
- (b) the imposition of any condition, restriction or limitation upon any Lender which is outside of its control,

then in any such case, the Borrower will forthwith repay to such Lender all principal amounts affected thereby, together with all unpaid interest accrued thereon to the date of repayment and all other expenses incurred in connection with the termination of any such Accommodation. The Borrower may utilize other form of Accommodations not so affected in order to make any required repayment and after any such repayment, the Borrower may elect to re-borrow the amount repaid by way of some other Accommodation upon complying with applicable requirements thereof.

## 9.3 Application of Sections 9.1 and 9.2.

If a Lender exercises its discretion under either Section 9.1 or 9.2, then concurrently with a notice from such Lender to the Lenders and to the Borrower requiring compliance with the applicable Section, such Lender will provide the Borrower (with a copy of the Agent and the other Lenders) with a certificate in reasonable detail outlining the particulars giving rise to such notice, confirming that its actions are consistent with actions concurrently taken by the Lenders with respect to similar type provisions affecting other borrowers of such Lender in comparable circumstances and certifying (with reasonable supporting detail) the increased costs, if any, payable by the Borrower thereunder, which will be *prima facie* evidence thereof and binding on the Parties. Notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States, Canadian or other regulatory authorities, in each case pursuant to Basel III ((i) and (ii) being, the "New Rules"), shall in each case be deemed to be a "change in Law" for the purposes of this Article 9, regardless of the date enacted, adopted or issued, in each case (iii) to the extent materially different from that in effect on the date hereof and (iv) to the extent that such New Rules have

general application to substantially all of the banks which are subject to the New Rules in question.

**9.4 Limitations on Additional Compensation.**

Section 9.1 and 9.2 will not apply to a Lender with respect to any event, circumstance or change or the nature and kind of which such Lender had actual knowledge on the Closing Date. A Lender will not be entitled to Additional Compensation to the extent such increase in costs or reduction in return is reflected in or recovered by an increase in the interest or other amounts payable hereunder (other than pursuant to Section 9.1) or relates to any period which is more than 120 days prior to such Lender becoming aware such Additional Compensation was owing or if the Lenders is not generally collecting amounts which are the equivalent to Additional Compensation from other borrowers in similar circumstances to the Borrower where it is contractually entitled to do so.

**9.5 Replacement Lenders.**

If:

- (a) a Lender exercises its rights under Section 9.1 or 9.2;
- (b) the Borrower is required to deduct any withholding Taxes in respect of amounts owing to any Lender;
- (c) any Lender withholds its consent to any amendment, consent or determination requested by the Borrower which requires the approval of all of the Lenders and as a consequence thereof such amendment, consent or determination cannot be obtained (but the approval of the applicable Majority Lenders has been obtained); or
- (d) a Lender becomes a Defaulting Lender;

the Borrower may, at its sole expense, treating each affected Lender rateably and in the same manner as other Lenders subject to similar circumstances (all such Lenders being the "Impacted Lenders"):

- (e) replace all Impacted Lenders by reaching satisfactory arrangements with one or more existing Lenders or new Lenders that are acceptable to the Agent, acting reasonably, for the purchase of all of such Impacted Lender's Individual Commitments as long as:
  - (i) such purchasing Lender(s) unconditionally offers in writing to purchase all of the rights and obligations of the Impacted Lender(s) including all outstanding Advances owed to such Impacted Lender(s) for a purchase price equal to the aggregate Advances owed to the Impacted Lender(s) plus all accrued interest and other charges and fees relating to those Advances, or such lesser amount as the applicable Impacted Lender may agree in its sole discretion (payable in immediately available funds);

- (ii) the obligations of the Borrower owing pursuant to this Article 9 to the Impacted Lender(s) are paid in full to the Impacted Lender(s) concurrently with such replacement; and
- (iii) all requirements set forth in Article 17 with respect to such assignment are complied with, including entering into of an Assignment Agreement (which the applicable Impacted Lender(s) shall execute and deliver) and the payment by the purchasing Lenders to the Agent (for the Agent's own account) of the assignment fee contemplated in Article 17 unless waived by the Agent; or
- (f) so long as no Default or Event of Default has occurred and is continuing and without regard to Section 3.6, irrevocably cancel all but not part of the Impacted Lender's Individual Commitments if the Borrower has prepaid or otherwise reduced all Advances outstanding to such Impacted Lender, and paid all accrued interest and other charges and fees in respect of such Advances. If the Borrower utilizes the provisions of this Section 9.5(f), the aggregate Individual Commitments of the Lender will be permanently reduced by each Impacted Lender's Individual Commitment.

## **ARTICLE 10 FEES AND EXPENSES**

### **10.1 Standby Fee.**

The Borrower will, effective from and including the Closing Date to and including the Termination Date in respect of the applicable Credit Facility, pay to the Agent for the benefit of the each Lender or Lenders under such Credit Facility at the Agent's Branch of Account, a standby fee in Canadian Dollars from time to time equal to the bps set forth in the Pricing Table, calculated on the basis of a 365 day calendar year, multiplied by (a) for Facility A, the Facility A Commitment Amount less the Aggregate Principal Amount of Facility A; and (b) for Facility B, the Facility B Commitment Amount less the Canadian Dollar Exchange Equivalent of the Aggregate Principal Amount of Facility B. The standby fee will be calculated daily and will be payable quarterly in arrears on the first Banking Day of each calendar quarter for the previous calendar quarter.

### **10.2 Agent's Fee.**

The Borrower shall pay to the Agent, for its own account, on execution of this Agreement and on the anniversary thereof in each subsequent calendar year until the Credit Facilities have been fully cancelled and all Obligations hereunder have been paid in full, an annual agency fee in the amount agreed to in writing by the Borrower and the Agent, and such fees shall, for the purposes of this Agreement, be deemed to be an amount payable pursuant to this Agreement.

### 10.3 Fees and Expenses.

- (a) Instead of the cash fee payment obligations set forth in the fifth sentence of the second paragraph of the commitment letter dated February 12, 2015 from The Bank of Nova Scotia, as arranger, and the Lenders and accepted and agreed to on February 13, 2015 by the Borrower, the Borrower will pay to the Agent and the Lenders a cash non-refundable fee in the amount of *[rate/fee has been redacted]* on the Commitment Amount, which fee shall be earned on the Closing Date and payable as follows:
  - (i) *[\$fee has been redacted]*, on the Closing Date;
  - (ii) *[\$fee has been redacted]*, on each of the dates that is 3, 6 and 9 months following the Closing Date;
  - (iii) *[\$fee has been redacted]*, on the first anniversary of the Closing Date; and
  - (iv) *[\$fee has been redacted]*, on each of June 30, 2016 and September 30, 2016.
- (b) The Borrower will pay or reimburse the Agent and the Lenders for all reasonable out-of-pocket expenses, including legal fees and disbursements (on a solicitor and his own client full indemnity basis) and enforcement costs, incurred by the Agent and the Lenders, as applicable, in connection with the negotiation, preparation, execution and maintenance of the Documents and the enforcement of its rights and remedies under the Documents.

## ARTICLE 11 PLACE AND APPLICATION OF PAYMENTS

### 11.1 Place of Payment of Principal, Interest and Fees; Payments to Agent.

All payments of principal, interest, fees and other amounts to be made by the Borrower to the Agent and the Lenders pursuant to this Agreement shall be made to the Agent (for, as applicable, the account of the applicable Lenders or its own account) in Canadian Dollars, other than in respect of cases where such payments are to be made directly to a Lender as set forth in this Agreement or are to be made in connection with a Loan which is denominated in U.S. Dollars, in which case payments shall be made in U.S. Dollars, and shall be made for value on the day such amount is due and, if such day is not a Banking Day, on the Banking Day next following, and:

- (a) in the case of amounts payable in Canadian Dollars, all such payments shall be made by deposit or transfer thereof to the account of the Agent maintained at the Agent's Branch of Account and designated by the Agent for such purpose; and
- (b) in the case of amounts payable in U.S. Dollars, all such payments shall be made by deposit or transfer thereof to the account of the Agent maintained at the Agent's Branch of Account and designated by the Agent for such purpose;

or, in either case, at such other place as the Borrower and the Agent may from time to time agree. Notwithstanding anything to the contrary expressed or implied by this Agreement, the receipt by the Agent in accordance with this Agreement of any payment made by the Borrower for the account of any of the Lenders shall, insofar as such obligations to the relevant Lenders are concerned, be deemed also to be receipt by such Lenders and the Borrower shall have no liability in respect of any failure or delay on the part of the Agent in disbursing and/or accounting to the relevant Lenders in regard thereto.

#### **11.2 Designated Accounts of the Lenders.**

All payments of principal, interest, fees or other amounts to be made by the Agent to the Lenders pursuant to this Agreement shall be made for value on the day required hereunder, provided the Agent receives funds from the Borrower for value on such day. If such funds are not so received from the Borrower, or if the day on which the Agent receives such funds is not a Banking Day, then such payments shall be made on the Banking Day next following, by deposit or transfer thereof at the time specified herein to the account of each Lender designated by such Lender to the Agent for such purpose, or to such other place or account as the Lenders may from time to time notify the Agent.

#### **11.3 Set-Off.**

- (a) The Obligations shall be paid by the Borrower without any set-off, withholding or deduction whatsoever, except as required by law.
- (b) In addition to any rights now or hereafter granted under applicable Laws, and not by way of limitation of any such rights, upon the occurrence of an Event of Default which remains unremedied or unwaived (whether or not the Aggregate Principal Amount has been accelerated hereunder), without prior notice to the Borrower or to any other Person, such notice being expressly waived by the Borrower, the Agent and each Lender shall have the right (and are hereby authorized by the Borrower) at any time and from time to time to combine all or any of the Borrower's accounts with the Agent or any Lender, as the case may be, and to set-off and to appropriate and to apply any and all deposits (general or special, term or demand) including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured, and any other indebtedness at any time held by the Borrower or owing by such Lender or the Agent, as the case may be, to or for the credit or account of the Borrower against and towards the satisfaction of any Obligations, and may do so notwithstanding that the balances of such accounts and the liabilities are expressed in different currencies, and the Agent and each Lender are hereby authorized to effect any necessary currency conversions at the noon spot rate of exchange announced by the Bank of Canada on the Banking Day before the day of conversion.
- (c) The Agent or the applicable Lender, as the case may be, shall notify the Borrower of any such set-off from the Borrower's accounts within a reasonable period of time thereafter, although the Agent or the Lender, as the case may be, shall not be liable to the Borrower for its failure to so notify.

**ARTICLE 12  
REPRESENTATIONS AND WARRANTIES OF THE BORROWER**

**12.1 Representations and Warranties.**

The Borrower hereby represents and warrants to the Agent and to each of the Lenders that:

- (a) Formation, Organization and Power. The Borrower has been duly created, and is validly existing under the Law of its jurisdiction of its creation, and is duly registered to carry on business in each jurisdiction in which the nature of any material business carried on by it or the character of any material property owned or leased by it makes such registration necessary, and the Borrower has full power and capacity to enter into and perform its obligations under the Documents to which it is a party, and to carry on its business as currently conducted.
- (b) Authorization and Status of Agreements. Each Document to which the Borrower is a party delivered pursuant hereto has been duly authorized, executed and delivered by it and does not conflict with or contravene or constitute a default or create a Lien, other than a conflict, contravention, default or Lien which would not reasonably be expected to have a Material Adverse Effect or a Lien which is a Permitted Encumbrance, under:
  - (i) its constating documents, by-laws or any shareholders' agreement in respect thereof;
  - (ii) any agreement or document to which it is a party or by which any of its property is bound; or
  - (iii) any applicable Law.
- (c) Enforceability. Each of the Documents constitutes a valid and binding obligation of the Borrower, and is enforceable against the Borrower in accordance with the terms thereof, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, or similar statutes affecting the enforcement of creditors' rights generally and by general principles of equity.
- (d) Litigation. There are no actions, suits or proceedings at Law or before or by any Administrative Body existing or pending, or to the best of the Borrower's knowledge threatened, to which the Borrower is, or to the Borrower's knowledge is threatened to be made, a party and the result of which would, if successful against it, reasonably be expected to have a Material Adverse Effect.
- (e) Environmental Law. The Borrower (i) has obtained all permits, licenses and other authorizations which are required under Environmental Law; and (ii) is in compliance with Environmental Law and with the terms and conditions of all

such permits, licenses and authorizations, except, in all cases, to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

- (f) Environmental Condition of Property. The property or any part thereof owned, operated or controlled by the Borrower, either directly or indirectly:
- (i) is not, to the best of the knowledge of the Borrower, the subject of any outstanding claim, charge or order from an Administrative Body alleging violation of Environmental Law or, if subject to any such claim, charge or order, the Borrower is taking all such remedial, corrective or other action required under the claim, charge or order or is diligently and in good faith contesting the validity thereof; and
  - (ii) complies in all respects with respect to each of its use and operation, with Environmental Law and with the terms and conditions of all permits, licenses and other authorizations which are required to be obtained under applicable Environmental Law, except to the extent that the failure to do so would not be reasonably expected to have a Material Adverse Effect.
- (g) Title to Properties. The Borrower has good and valid title to its P&NG Rights, subject only to Permitted Encumbrances and to minor defects of title which in the aggregate do not affect its rights of ownership therein or the value thereof in any way which would reasonably be expected to have a Material Adverse Effect or to which the Lenders have consented to in writing. The Borrower is entitled to charge its interests in such P&NG Rights in favour of the Agent and the Lenders as provided in this Agreement and the other Documents without the need to obtain any consent of or release from any other Person which has not been obtained and such P&NG Rights are not held in trust by the Borrower for any Person.
- (h) Operation of Properties. To the best of the Borrower's knowledge, information and belief, after due enquiry, all of the oil, gas and other wells of the Borrower have been drilled, completed, shut-in and abandoned (and they have abandoned such wells if they were required by Law to have been abandoned) in accordance with applicable Law, the P&NG Rights of the Borrower have been operated and, if applicable, abandoned (and they have abandoned such properties to the extent required by applicable Law to be abandoned) in accordance with applicable Law and the facilities, plants and equipment in respect of all of the Borrower's properties have been and will continue to be operated and maintained, as the case may be, in a good and workmanlike manner in accordance with sound industry practice and in accordance with all applicable Law, except, in each case, to the extent that the failure to do any of the foregoing would not be reasonably expected to have a Material Adverse Effect.
- (i) Financial Condition. The most recent financial statements of the Borrower heretofore or contemporaneously delivered to the Agent and the Lenders hereunder were prepared in accordance with GAAP and such financial

statements present fairly, in all material respects, the Borrower's consolidated financial position as at the date thereof and, except to the extent disclosed to the Agent in writing, since that date there has been no Material Adverse Effect.

- (j) Information. All factual information heretofore or contemporaneously furnished by or on behalf of the Borrower to the Agent in connection with the Borrower or the Credit Facilities was true and accurate in all material respects at the time given and the Borrower is not aware of any omission of any material fact which renders such factual information incomplete or misleading in any material way at the time given.
- (k) No Breach of Orders, Licences or Statutes. The Borrower is not in breach of:
  - (i) any order, approval or mandatory requirement or directive of any Administrative Body;
  - (ii) any governmental licence or permit; or
  - (iii) any applicable Law,the breach of which would reasonably be expected to have a Material Adverse Effect.
- (l) Pension. The Borrower has in all respects complied with the contractual provisions and applicable Laws relating to each Pension Plan to which it is a party or is otherwise bound, if any, except to the extent failure to comply would not reasonably be expected to have a Material Adverse Effect, all amounts due and owing under any such Pension Plan have been paid in full, and, to the best of the knowledge of the Borrower, no deficiency exists (whether or not waived) under any such Pension Plan that would reasonably be expected to have a Material Adverse Effect.
- (m) No Default. No Default or Event of Default has occurred and is continuing.
- (n) Insurance. The Borrower has in full force and effect such policies of insurance in such amounts issued by such insurers of recognized standing covering the property of the Borrower as required by Section 13.1(l).
- (o) Approvals. All regulatory approvals, consents, permits and licenses necessary for the Borrower to carry on its business, as currently carried on, and all approvals and consents necessary for the Borrower to enter into the Documents to which it is a party and perform its obligations thereunder have, in each case, been obtained and are in good standing except to the extent that failure to so obtain would not be reasonably expected to have a Material Adverse Effect.
- (p) Payment of Taxes. The Borrower has filed all tax returns which are required to be filed and has paid all Taxes (including interest and penalties) which are due and payable, unless such payment is in good faith disputed, and has made all

appropriate provision in respect thereof in accordance with GAAP, except, in either case, to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Effect.

- (q) Remittances. All of the remittances required to be made by the Borrower to the applicable federal, provincial or municipal governments have been made, are currently up to date and there are no outstanding arrears, except to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (r) Subsidiaries. As at the date hereof, the Borrower has no Subsidiaries other than 1834163 Alberta Ltd and, following the Amalgamation, Dolomite.
- (s) Debt and Liens. The Borrower does not have any Debt, other than Permitted Debt, or Liens on its property, other than Permitted Encumbrances.

#### **12.2 Acknowledgement.**

The Borrower acknowledges that the Agent and the Lenders are relying upon the representations and warranties in this Article 12 in making the Credit Facilities available to the Borrower and that the representations and warranties contained in Section 12.1, except for any representation and warranty made solely at the date hereof, will be deemed to be restated in every respect effective on the date each and every Advance is made except for Advances which are Conversions in which case only Section 12.1(m) will be deemed to be restated.

#### **12.3 Survival and Inclusion.**

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

### **ARTICLE 13 COVENANTS OF THE BORROWER**

#### **13.1 Affirmative Covenants.**

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

- (a) Punctual Payment. The Borrower will pay or cause to be paid all Obligations and other amounts payable under the Documents punctually when due.
- (b) Legal Existence. Except as permitted by Article 14, the Borrower will do or will cause to be done all things necessary to preserve and keep in full force and effect

its and Dolomite's existence in good standing under the Law of its jurisdiction of creation.

- (c) Notice of Default or Event of Default. The Borrower will notify the Agent of the occurrence of any Default or Event of Default forthwith upon the Borrower becoming aware thereof and specify in such notice the nature of the event and the steps taken or proposed to be taken to remedy the same.
- (d) Notice of Legal Proceedings. The Borrower will, forthwith upon the Borrower becoming aware thereof, notify the Agent of the commencement of any legal or administrative proceedings against it or, after the Amalgamation, Dolomite which, if adversely determined against the Borrower or, after the Amalgamation, Dolomite, would reasonably be expected to have a Material Adverse Effect.
- (e) Notice of Change of Control. The Borrower will, forthwith upon becoming aware thereof, notify the Agent of any Change of Control.
- (f) Material Adverse Claims. The Borrower will, and, after the Amalgamation, will cause Dolomite to, except for Permitted Encumbrances, do all things necessary to defend, protect and maintain its property and the Security (and the priority thereof), from all material adverse claims where the failure to do so in the opinion of the Lenders, acting reasonably, threatens the intended priority or validity of the Security as herein provided, or would reasonably be expected to have a Material Adverse Effect.
- (g) Notice of Environmental Damage. The Borrower will, forthwith upon acquiring knowledge thereof, notify the Agent of the discovery of any Contaminant or of any Release of a Contaminant into the Environment from or upon the land or property owned (either individually or jointly), operated or controlled by the Borrower or, after the Amalgamation, Dolomite which would reasonably be expected to have a Material Adverse Effect.
- (h) Compliance Certificate and Environmental Certificate. Within (i) 30 days after the end of each month, (ii) 45 days after the end of each of the first three fiscal quarters of the Borrower and (iii) 90 days after the end of each fiscal year of the Borrower, the Borrower will furnish to the Agent a Compliance Certificate. At the time the Borrower delivers the Compliance Certificate in accordance with item (ii) or (iii) in this Section 13.1(h), it will also deliver an Environmental Certificate.
- (i) Financial Reporting. The Borrower will furnish to the Agent (in sufficient copies for each of the Lenders):
  - (i) a copy of the Borrower's quarterly unaudited consolidated financial statements on or prior to 45 days after the end of each of the first three fiscal quarters of the Borrower;

- (ii) a copy of the Borrower's annual audited consolidated financial statements on or prior to 90 days after the end of each fiscal year of the Borrower;
- (iii) a comparison of its actual monthly performance to the forecasts set out in the Business Plan and a comparison of its actual monthly Operating Cash Flow, EBITDA, Net Debt and capital expenditures (broken down as between maintenance and development capital expenditures) to the budgeted amounts set out in the Business Plan, including a commentary and description of any variance in excess of 10% and detailing actual production and revenue in aggregate and by area, on or prior to 30 days after the end of each month; and
- (iv) a list of all new capital projects entered into by the Borrower within the past month, together with the status of each of the contracts having an aggregate revenue or liability in any calendar year in excess of \$250,000 to which the Borrower is then a party, and a list of all capital projects proposed to be undertaken within the following month on or prior to 30 days after the end of each month;

The Borrower shall be entitled to deliver any of the foregoing by advising the Agent, prior to the date such statements are required to be provided to the Agent, that the same have been posted on [www.SEDAR.com](http://www.SEDAR.com), provided the Borrower has, in fact, posted the same.

- (j) Operation of Properties. The Borrower will, and, after the Amalgamation, will cause Dolomite to, operate its respective property, or, if it is not the operator, use reasonable efforts to ensure that such property is operated, in accordance with sound industry practice and in accordance in all respects with applicable Law, except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (k) Performance of Agreements. The Borrower will, and, after the Amalgamation, will cause Dolomite to, perform its obligations under the Documents and all other agreements relating to the P&NG Rights, including payment of rentals, royalties, Taxes or other charges in respect thereof which are necessary to maintain all such agreements in good standing in all respects, except to the extent failure to so perform would not reasonably be expected to have a Material Adverse Effect, provided that this covenant will not restrict any right to surrender leases or terminate agreements which are uneconomic to maintain.
- (l) Insurance. The Borrower will, and, after the Amalgamation, will cause Dolomite to, maintain adequate insurance in respect of its material property, including all wellhead equipment and other plant and equipment, as is customary in the case of businesses of established reputation engaged in the same or similar businesses, and will provide the Agent with copies of all insurance policies relating thereto if so requested. At the Agent's request, all such insurance

policies will contain a loss payable clause and mortgage clause in favour of the Agent.

- (m) Environmental Audit. If the Agent, acting reasonably, determines that the Borrower's or, after the Amalgamation, Dolomite's obligations or other liabilities in respect of matters dealing with the protection or contamination of the Environment or the maintenance of health and safety standards, whether contingent or actual, would reasonably be expected to have a Material Adverse Effect then, at the request of the Agent, the Borrower will, and, after the Amalgamation, will cause Dolomite to, assist the Agent in conducting an environmental audit of the property which is the subject matter of such contingent or actual obligations or liabilities, by an independent consultant selected by the Agent after consultation with the Borrower. The reasonable costs of such audit will be for the account of the Borrower, provided that the Agent will carry out such audit in consultation with the Borrower to expedite its completion in a cost effective manner. Should the result of such audit indicate that the Borrower or, after the Amalgamation, Dolomite is in breach, or with the passage of time will be in breach, of any Environmental Law and such breach or potential breach has or would reasonably be expected to have, in the opinion of the Lenders, acting reasonably, a Material Adverse Effect, and without in any way prejudicing or suspending any of the rights and remedies of the Agent and the Lenders under the Documents, the Borrower will forthwith commence and diligently proceed to rectify or cause to be rectified such breach or potential breach, as the case may be, and will keep the Lenders fully advised of the actions it intends to take and has taken to rectify such breach or potential breach and the progress it is making in rectifying same. The Agent will be permitted to retain, for the account of the Borrower (to the extent such account is reasonable), the services of a consultant to monitor the Borrower's and, after the Amalgamation, Dolomite's compliance with this Section 13.1(m).
- (n) Reserve Evaluation. The Borrower will, prior to October 31 of each year, provide the Agent an economic and reserve evaluation report prepared by an independent petroleum engineering firm satisfactory to the Majority Lenders covering the then current P&NG Rights of the Borrower (including, for greater certainty, any interests earned by the Borrower pursuant to the Farm-in Agreement), with an effective date of September 30 of each year, in form satisfactory to the Agent, acting reasonably.
- (o) Production Information. The Borrower will on or prior to 30 days following each month, furnish to the Agent (in sufficient copies for each of the Lenders) a report of the lease operating and production performance of the Borrower's Proved Producing Reserves including year to date figures, a comparison to budgeted lease operating and production performance, the gross oil and gas production, net production, total revenues, royalties and other burdens, operating expenses and net revenues, in a format acceptable to the Agent, acting reasonably.

- (p) Payment of Taxes. The Borrower will, and, after the Amalgamation, will cause Dolomite to, duly file on a timely basis all Tax returns required to be filed by them, and duly and punctually pay all Taxes and other governmental charges levied or assessed against them or their property, except, in either case, to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (q) Remittances. The Borrower will, and, after the Amalgamation, will cause Dolomite to, make all of the remittances required to be made by the Borrower or, after the Amalgamation, Dolomite to the applicable federal, provincial or municipal governments and keep such remittances up to date, except to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (r) Notices and Filings. The Borrower will, on a timely basis, furnish to the Agent (in sufficient copies for each of the Lenders) all prospectuses, material change reports (except those filed on a confidential basis, but only for so long as such confidentiality remains in effect) and material press releases filed by the Borrower with securities commissions having jurisdiction and other documents distributed by the Borrower to its shareholders.
- (s) Inspection of Property: Books and Records: Discussions. The Borrower will, and, after the Amalgamation, will cause Dolomite to, maintain books and records of account in accordance with GAAP and all applicable Laws; and permit representatives of the Agent at the Agent's expense no more than once a year while no Default or Event of Default exists and at any time at the Borrower's expense while a Default or Event of Default exists to visit and inspect any property of the Borrower or, after the Amalgamation, Dolomite and to examine and make abstracts from any books and records of the Borrower or, after the Amalgamation, Dolomite at any reasonable time during normal business hours and upon reasonable request and notice, and subject to the Borrower's health and safety requirements, and to discuss the business, property, condition (financial or otherwise) and prospects of the Borrower or, after the Amalgamation, Dolomite with their senior officers and (in the presence of such representatives, if any, as it may designate) with its independent chartered accountants.
- (t) Comply with Law and Maintain Permits. The Borrower will, and, after the Amalgamation, will cause Dolomite to, comply with applicable Laws and obtain and maintain all permits, licenses, consents and approvals necessary to the ownership of its property and to the conduct of its business in each jurisdiction where it carries on material business or owns material property, including those issued or granted by Administrative Bodies, except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (u) Arrangement Consideration. The Borrower will:

- (i) use the aggregate amount of any Cash Consideration received by the Borrower in excess of \$20,500,000 in support of the cash flow forecasts provided to the Lenders; and
  - (ii) pay over to the Lenders, as a permanent reduction of the Commitment Amount, the \$5,000,000 post-closing adjustment received by the Borrower pursuant to section 5.7 of the Arrangement Agreement.
  
- (v) Arrangement Rights. Within 30 days following the closing of the Arrangement, the Borrower will receive aggregate proceeds from the exercise of the Arrangement Rights of at least \$500,000; provided that, (i) such minimum aggregate proceeds from the exercise of the Arrangement Rights shall be reduced to the extent the aggregate net proceeds from the equity financing referred to in Section 6.1(b)(v) (excluding, for certainty, the amount associated with any issuance of shares to the executive officers of Pinecrest and/or Dolomite in settlement of all or any portion of the severance and/or change of control obligations owed or owing to those individuals) are greater than \$2,000,000 and (ii) if less than \$500,000 (or such lesser amount resulting from clause (i)) is received, the Lenders will have the ability to further restrict the Borrower's capital expenditures and to require some or all of the Borrower's Available Cash Flow be used to repay obligations owing to the Lenders, in an aggregate amount not exceeding the amount by which the aggregate proceeds from the exercise of the Arrangement Rights is less than \$500,000 (or such lesser amount resulting from clause (i)).
  
- (w) Warrants. On the date that is 30 days after the completion of the Arrangement, the Borrower will issue warrants to the Lenders representing in aggregate 10% of the issued and outstanding common shares of the Borrower at that time (after to giving effect to the exercise of any Arrangement Rights). Each warrant will entitle the Lenders to acquire one common share of the Borrower for a purchase price of \$0.30 and will have a term expiring on the earlier of the date that is five years after the Closing Date and the date that is 30 days following the Termination Date (as may be extended from time to time).
  
- (x) Dolomite Amalgamation. The Borrower shall cause the Amalgamation to be completed within ten (10) Banking Days following the Closing Date and the Borrower shall upon such completion promptly deliver to the Agent evidence satisfactory to the Agent that:
  - (i) all governmental, shareholder and regulatory approvals and third party consents, if any, required in connection with the closing of the Amalgamation have been obtained;
  - (ii) all conditions precedent to the Amalgamation have been satisfied without any amendment or waiver of any such condition which is material to the interests of the Lenders;

- (iii) all representations and warranties of the Borrower and Dolomite under this Agreement are true and correct, all covenants of the Borrower and Dolomite under this Agreement have been complied with and no Default or Event of Default has occurred and is continuing, or would occur after giving effect to the Amalgamation;
- (iv) the Equity Proceeds have been released to the Borrower concurrently with the completion of the Amalgamation;
- (v) the Borrower shall have entered into an agreement, in form and substance satisfactory to the Agent, acting reasonably, with each of the employees of Dolomite which provides that no such employee will receive cash prior to the Termination Date (as may be extended from time to time) for any severance and/or change of control liability of the Borrower and/or Dolomite to such employee;
- (vi) the Borrower and Dolomite shall have entered into management and processing agreements on terms and conditions satisfactory to the Agent, acting reasonably;
- (vii) Dolomite and Alberta Treasury Branches shall have entered into a credit agreement based on the terms and conditions contained in the term sheet provided to Dolomite by Alberta Treasury Branches on February 26, 2015 and containing such other terms and conditions as the Lenders may reasonably require (including that such credit agreement shall not provide for any redetermination of the borrowing base thereunder); and
- (viii) Alberta Treasury Branches shall have executed and delivered an acknowledgement in form and substance satisfactory to the Agent to the effect that Alberta Treasury Branches' security interest in the interests of Dolomite will automatically and without further action be released as those interests are earned by the Borrower pursuant to the Farm-in Agreement.

In addition, promptly upon completion of the Amalgamation, the Borrower shall execute and deliver to the Agent a pledge of the shares of Dolomite, together with such other documentation as the Agent may reasonably require in connection with that pledge.

- (y) Repayment of Obligations. On or before June 1, 2016, the Borrower furnish to the Agent a plan, in form and substance satisfactory to the Agent, acting reasonably, for the restructuring of its business and for the repayment in full of the Obligations outstanding under this Agreement by the Termination Date.
- (z) Other Information. The Borrower will provide to the Agent such other documentation and information concerning the Borrower, Dolomite or their respective properties and operations as may be requested by the Lenders, acting reasonably.

### 13.2 Negative Covenants.

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

- (a) Limitation on Borrowings, Liens, Distributions, Prepayments and Investments of Cash. The Borrower will not, and, after the Amalgamation, will not permit Dolomite to:
  - (i) incur Debt, except for Permitted Debt;
  - (ii) provide or permit a Lien over any of its property, except for Permitted Encumbrances;
  - (iii) make any Distribution;
  - (iv) prepay any Debt (other than Permitted Debt) prior to its stated maturity or regularly scheduled payment dates; or
  - (v) make any investment of any cash balances other than in (i) certificates of deposit, deposit receipts and evidences of demand deposits in registered form in the name of the Borrower, in each case as issued by a Canadian chartered bank, (ii) bonds or other evidences of indebtedness of or fully guaranteed by the government of Canada or any province thereof payable in Canadian dollars and rated A (or the then equivalent grade) by a recognized bond rating agency, and (iii) commercial paper rated A-1 or better, P-1 or better or R-1 middle/low or better by Standard & Poor's Rating Group, Moody's Investor Services, Inc. or Dominion Bond Rating Service Limited, respectively, in all cases having a payment or maturity date not later than 90 days after the acquisition thereof.
  
- (b) Limitation on Commodity Swap Contracts. The Borrower will not, and, after the Amalgamation, will not permit Dolomite to, enter into any contract for a commodity swap or other protection agreement or option designed to protect against fluctuations in commodity prices (which, for greater certainty, includes both physically and financially settled hedges) (collectively, the "Commodity Swap Contracts") other than commodity put options which are purchased by the Borrower, if the term of any such Commodity Swap Contract exceeds nine months or if the aggregate amounts hedged under all Commodity Swap Contracts at the time such contract is entered into and after giving effect thereto exceeds 70% of the average daily oil and gas production (net of royalties) of the P&NG Rights of the Borrower and Dolomite during the immediately preceding fiscal quarter of the Borrower, as adjusted for acquisitions and divestitures during such fiscal quarter in a manner satisfactory to the Agent, acting reasonably.
  
- (c) Limitation on Hedging Agreements.

- (i) Other than Commodity Swap Contracts, the Borrower will not, and, after the Amalgamation, will not permit Dolomite to, enter into or maintain any derivative agreement or other similar agreement or arrangements, including, without limitation:
  - (A) any contract for the sale, purchase, exchange or future delivery of foreign currency (whether or not the subject currency is to be delivered or exchanged) or any hedging contract, forward contract, swap agreement, futures contract, or other foreign exchange protection agreement or option with respect to any such transaction, in each case designed to hedge against fluctuations in foreign exchange rates; and
  - (B) any contract for a rate swap, rate cap, rate floor, rate collar, forward rate agreement, futures or other rate protection agreement or option with respect to any such transaction, designed to hedge against fluctuations in interest.
- (ii) The Borrower will not, and, after the Amalgamation, will not permit Dolomite to, enter into or maintain any Commodity Swap Contract, unless such Commodity Swap Contract is entered into for hedging purposes only in the ordinary course of business and not for speculative purposes.
- (iii) The Borrower will not, and, after the Amalgamation, will not permit Dolomite to, grant any Liens as security for the obligations under any Commodity Swap Contract without the prior written consent of all of the Lenders.
- (d) Mergers, Amalgamation and Consolidations. The Borrower will not merge, amalgamate or consolidate with another Person (including, without limitation, after the Amalgamation, Dolomite or any of its Subsidiaries).
- (e) Subsidiaries. The Borrower will not create or acquire any Subsidiaries other than Dolomite pursuant to the Amalgamation without the prior written consent of all of the Lenders.
- (f) Change in Business, Name, Location or Fiscal Year. The Borrower will not, and, after the Amalgamation, will not permit Dolomite to, (i) change in any material respect the nature of their business or operations from that of an oil and natural gas exploration and production company operating in the Western Canadian Sedimentary Basin, or (ii) change its name, trade name or locations of business without giving the Agent 15 days prior notice thereof. The Borrower will notify the Agent of any change of the fiscal year end of the Borrower no later than 30 days after any such change.
- (g) Asset Dispositions. Other than for Permitted Dispositions, the Borrower will not, and, after the Amalgamation, will not permit Dolomite to, directly or indirectly,

make any sale, exchange, lease, transfer or other disposition of any of its P&NG Rights to any Person without the prior consent of all of the Lenders.

- (h) Acquisitions. The Borrower will not, and, after the Amalgamation, will not permit Dolomite to, without the prior written consent of all of the Lenders:
  - (i) purchase any (A) securities of capital stock of any class of any corporation, partnership units in the case of a partnership, trust units in the case of a trust, or other evidence of ownership serving similar purposes, (B) bonds, (C) notes, (D) debentures or (E) other securities of any Person; or
  - (ii) acquire any property (including real property), assets and undertakings of any Person or a business carried on by, or a division of, such Person other than as contemplated by the Business Plan.
- (i) Financial Assistance or Capital Contributions. The Borrower will not, and will not permit Dolomite to:
  - (i) provide any guarantee, loans or other financial assistance to any Person;
  - (ii) make any contributions of capital or any other forms of equity investment in any Person; or
  - (iii) pay any management fees to any Person.
- (j) Transactions with Affiliates. The Borrower will not, except as otherwise specifically permitted hereunder, enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with any of its shareholders or with any of its Affiliates, or with any of its or their Directors or officers, or enter into, assume or suffer to exist any employment, consulting or analogous agreement or arrangement with any such shareholder or Affiliate or with any of its Directors or officers, except (i) a transaction or agreement or arrangement which is in the ordinary course of business of the Borrower and which is upon fair and reasonable terms not less favourable to the Borrower than it would obtain in comparable arms-length transaction; and (ii) the management and processing fee agreements to be entered into between the Borrower and Dolomite.
- (k) Changes to Constatng Documents. Subject to Article 14, the Borrower will not amend the terms of its constating documents, its by-laws, if, in each case, to do so would reasonably be expected to have a Material Adverse Effect.
- (l) Capital Expenditures. The Borrower will not make aggregate capital expenditures (excluding existing equipment owned by the Borrower):

- (i) during the period from the Closing Date to March 31, 2016 that exceed \$6,368,000 in development capital expenditures and \$2,941,000 in maintenance capital expenditures;
- (ii) on or in respect of the properties to be acquired by the Borrower under the Farm-in Agreement during the term of the Credit Facilities that exceed \$4,800,000;
- (iii) during the period from April 1, 2016 to the Termination Date, other than maintenance capital expenditures not exceeding \$100,000 in any calendar month; or
- (iv) other than as described in the Business Plan.

Notwithstanding the foregoing, during the period from April 1, 2016 to the Termination Date, the Borrower may use the net proceeds from equity financings up to \$9,000,000 for development capital expenditures to drill, complete and tie-in option wells under the Farm-In Agreement or other capital projects approved by the Lenders, acting reasonably.

- (m) Dolomite Agreements. The Borrower will not amend the terms of or terminate any material agreement with Dolomite or any of its Subsidiaries without the prior written consent of all of the Lenders.
- (n) Dolomite Funding. The Borrower will not directly or indirectly fund or provide services to Dolomite or any of its Subsidiaries beyond what is contemplated by the management and processing agreements to be entered into upon completion of the Amalgamation on such terms and conditions as the Lenders may approve.
- (o) Severance Obligations. The Borrower will not pay any severance and/or change of control obligations of any Person in cash without the prior written consent of all of the Lenders.
- (p) Tax Attributes. The Borrower will not make any payments to Cardinal Energy Ltd. of the tax attributes obligation pursuant to section 2.1(a)(vii) of the Indemnity Agreement without the prior written consent of all of the Lenders.

### 13.3 Financial Covenants.

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

- (a) Cash Flow. There will be no negative variance in the actual net change in the Operating Cash Flow from the amount forecasted in the Cash Flow Model in excess of:
  - (i) in aggregate for the period from April 1, 2015 to September 30, 2015, \$750,000;

- (ii) in aggregate for the period from October 1, 2015 to March 31, 2016, the lesser of 25% and \$1,500,000; and
  - (iii) in aggregate for the period from April 1, 2016 to September 30, 2016, the lesser of 25% and \$2,000,000.
- (b) EBITDA. There will be no negative variance in the actual EBITDA (excluding all professional fees and costs relating to the Arrangement and the Amalgamation) of the Borrower (other than Dolomite and any of its Subsidiaries) from the amount forecasted in the Cash Flow Model in excess of:
- (i) in aggregate for the period from April 1, 2015 to September 30, 2015, \$750,000;
  - (ii) in aggregate for the period from October 1, 2015 to March 31, 2016, the lesser of 25% and \$1,500,000; and
  - (iii) in aggregate for the period from April 1, 2016 to September 30, 2016, the lesser of 25% and \$2,000,000.
- (c) Net Debt. Actual Net Debt outstanding for any reporting month shall not be greater than the aggregate of the Commitment Amount and \$3,200,000 (being the estimated working capital deficiency as of the Closing Date).
- (d) Production. There will be no negative variance in the actual oil and natural gas production of the Borrower in any reporting month from the amount forecasted in the Cash Flow Model in excess of 10%.

For clarity, the thresholds set forth in this Section 13.3 do not and are not intended to have any impact on the determination as to whether any event or circumstance has or will cause a Material Adverse Effect in any particular circumstances.

## ARTICLE 14 REORGANIZATION

### 14.1 Reorganization.

The Borrower may from time to time, amalgamate, merge or consolidate with another Person, provided that in the case of any such amalgamation, merger or consolidation involving another Person:

- (a) no Default or Event of Default will be continuing at the time of such amalgamation, merger or consolidation and no Default or Event of Default will result from such amalgamation, merger or consolidation;
- (b) contemporaneously with the consummation of such amalgamation, merger or consolidation, the Borrower and the successor entity, as applicable, will have executed such instruments and done such things as in the reasonable opinion of

the Agent are necessary or advisable to establish that upon the consummation of such transaction, including:

- (i) the successor entity will be a Person formed under the Laws of Canada or one of its provinces and will have assumed, including by operation of Law, all the covenants and obligations of the Borrower under the Documents;
- (ii) the Documents, as applicable, will be valid and binding obligations of the successor entity entitling the Lenders and the Agent, as against the successor entity, to exercise all their rights and benefits thereunder;
- (iii) the Lien created by the Security will continue to be a Lien against the property of the successor entity in substantially the same manner and to the same extent and priority as existed immediately prior to such amalgamation, merger or consolidation;
- (iv) the rights and benefits afforded or intended to be afforded the Lenders and the Agent under the Documents are not materially prejudiced; and
- (v) legal opinions in form satisfactory to the Agent confirming the matters set forth in Section 14.1(b)(i), 14.1(b)(ii) and 14.1(b)(iii) are provided by Borrower's Counsel and counsel to the Agent; and
- (vi) no Material Adverse Effect would reasonably be expected to occur as a result of such amalgamation, merger or consolidation;

provided that, the Borrower shall not amalgamate, merge or consolidate with Dolomite without the prior written consent of all of the Lenders.

## ARTICLE 15 EVENTS OF DEFAULT

### 15.1 Event of Default.

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

- (a) Failure to Pay. If:
  - (i) the Borrower makes default in the due and punctual payment of any principal amount owing under the Documents, as and when the same becomes due and payable, whether at maturity or otherwise; or
  - (ii) the Borrower makes default in the due and punctual payment of interest or fees owing under the Documents, as and when the same become due and payable, whether at maturity or otherwise and such default continues for a period of two (2) Banking Days.

- (b) Incorrect Representations. If any representation or warranty made by the Borrower in any Document proves to have been incorrect when so made or deemed to have been repeated as herein provided and, in the case of any such incorrect representation or warranty which is capable of being corrected, shall continue to be incorrect for a period of thirty (30) days after the representation or warranty is determined to have been incorrect.
- (c) Breach of Covenants. Except for an Event of Default set out in Section 15.1(a) or elsewhere in this Section 15.1, if the Borrower defaults in the performance or observance of any covenant, obligation or condition to be observed or performed by it pursuant to any of the Documents, and such default continues for a period of 30 days after notice thereof is given to the Borrower by the Agent.
- (d) Insolvency. If a judgment, decree or order of a court of competent jurisdiction is entered against the Borrower (i) adjudging the Borrower bankrupt or insolvent, or approving a petition seeking its reorganization or winding-up under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous Law, or (ii) appointing a receiver, trustee, liquidator, or other Person with like powers, over all, or substantially all, of the property of the Borrower, or (iii) ordering the involuntary winding up or liquidation of the affairs of the Borrower, or (iv) appointing any receiver or other Person with like powers over all, or substantially all, of the property of the Borrower, unless, in any such case, such judgment, petition, order or appointment is stayed and of no effect against the rights of the Agent and the Lenders within 30 days of its entry.
- (e) Winding-Up. If, (i) except as permitted by Section 14.1, an order or a resolution is passed for the dissolution, winding-up, reorganization or liquidation of the Borrower, pursuant to applicable Law, including the *Business Corporations Act* (Alberta), or (ii) the Borrower institutes proceedings to be adjudicated bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous Law, or (iii) the Borrower consents to the filing of any petition under any such Law or to the appointment of a receiver, or other Person with like powers, over all, or substantially all, of the Borrower's property, or (iv) the Borrower makes a general assignment for the benefit of creditors, or becomes unable to pay its debts generally as they become due, or (v) the Borrower takes or consents to any action in furtherance of any of the aforesaid purposes.
- (f) Other Debt. The Borrower fails to make any payment of principal, interest or other amount in regard to any Debt, which for the purpose of this Section 15.1(f) includes obligations and liabilities under any Commodity Swap Contract, whatsoever owed by it after the expiry of any applicable grace period in respect thereof, to any Person, other than the Agent or any Lenders under the Documents, where the outstanding principal amount of such Debt is more than the Threshold Amount, in aggregate.

- (g) Other Defaults. The Borrower defaults in the observance or performance of any non-monetary obligation, covenant or condition to be observed or performed by it pursuant to any agreement to which it is a party or by which any of its property is bound, where such default has a Material Adverse Effect.
- (h) Adverse Proceedings. The occurrence of any action, suit or proceeding against or affecting the Borrower before any court or before any Administrative Body which, if successful, would reasonably be expected to have a Material Adverse Effect, unless the action, suit, or proceedings is contested diligently and in good faith and, in circumstances where a lower court or tribunal has rendered a decision adverse to it, the Borrower is appealing such decision, and has provided a reserve in respect thereof in accordance with GAAP.
- (i) Material Lien. The property of the Borrower having a fair market value in excess of the Threshold Amount, in the aggregate, shall be seized (including by way of execution, attachment, garnishment or distraint) or any Lien thereon shall be enforced, or such property shall become subject to any charging order or equitable execution of a court, or any writ of enforcement, writ of execution or distress warrant with respect to obligations in excess of the Threshold Amount, in the aggregate, shall exist in respect of the Borrower, or such property, or any sheriff, civil enforcement agent or other Person shall become lawfully entitled to seize or distrain upon such property under the *Civil Enforcement Act* (Alberta), the *Workers' Compensation Act* (Alberta), the *Personal Property Security Act* (Alberta) or any other applicable Laws whereunder similar remedies are provided, and in any case such seizure, execution, attachment, garnishment, distraint, charging order or equitable execution, or other seizure or right, shall continue in effect and not released or discharged for more than 30 days.
- (j) Judgment. A judgment is obtained against the Borrower for an amount in excess of the Threshold Amount, in the aggregate, which remains unsatisfied and undischarged for a period of 30 days during which such judgment shall not be on appeal or execution thereof shall not be effectively stayed.
- (k) Cessation of Business. Except as permitted by Article 14, the Borrower ceases or proposes to cease carrying on business, or a substantial part thereof; or makes or threatens to make a bulk sale of its property.
- (l) Enforceability of Documents. If any material provision of any 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 Borrower or if any Lien constituted pursuant to the Security ceases to have the priority contemplated in the Documents.
- (m) Qualified Auditor Report. If the audited financial statements that are required to be delivered to the Agent pursuant to Section 13.1(i)(ii) contain a qualification that is not acceptable to the Majority Lenders, acting reasonably, and, if unacceptable, such qualification is not rectified or otherwise dealt with to the

satisfaction of the Majority Lenders within a period of 30 days after delivery of such financial statements.

- (n) Change of Control. If a Change of Control occurs.
- (o) Test Wells. The Borrower defaults in the observance or performance of its test well drilling obligations under the Farm-in Agreement.
- (p) Repayment Plan. If the repayment plan that is required to be delivered to the Agent pursuant to Section 13.1(y) is not acceptable to the Lenders.
- (q) Dolomite Financing. If an "Event of Default" (as defined under the Dolomite Credit Agreement) has occurred and is continuing.

#### 15.2 Acceleration.

If any Event of Default shall occur and for so long as it is continuing:

- (a) the entire Aggregate Principal Amount and all accrued and unpaid interest thereon; and
- (b) all other Obligations outstanding hereunder;

shall, at the option of the Agent in accordance with Section 18.8 or upon the request of the Majority Lenders, become immediately due and payable by the Borrower upon written notice to that effect from the Agent to the Borrower, and the Individual Commitment of each Lender shall thereupon terminate, all without any other notice and without presentment, protest, demand, notice of dishonour or any other demand whatsoever (all of which are hereby expressly waived by the Borrower); provided that upon the occurrence of an Event of Default specified in Section 15.1(d) or 15.1(e), the Commitment of each Lender shall terminate and all amounts specified in this Section 15.2 shall automatically become due and payable by the Borrower, in each case, subject to applicable Laws and without any requirement that notice be given to the Borrower. In any such event, if the Borrower does not immediately pay all such amounts upon receipt of such notice, either the Lenders or the Agent on their behalf may, in their discretion, exercise any right or recourse and/or proceed by any action, suit, remedy or proceeding against the Borrower authorized or permitted by law for the recovery of the Obligations and proceed to exercise any and all rights hereunder and under the other Documents and no such remedy for the enforcement of the rights of the Lenders shall be exclusive of or dependent on any other remedy but any one or more of such remedies may from time to time be exercised independently or in combination.

#### 15.3 Remedies Cumulative and Waivers.

For greater certainty, it is expressly understood and agreed that the rights and remedies of the Lenders and the Agent hereunder or under any other Document are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Lenders or by the Agent of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or

other Document shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which any one or more of the Lenders and the Agent may be lawfully entitled for such default or breach. Any waiver by, as applicable, the Majority Lenders, the Lenders or the Agent of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein and any indulgence granted by, as applicable, the Majority Lenders, the Lenders or the Agent shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lenders or the Agent under this Agreement or any other Document as a result of any other default or breach hereunder or thereunder.

#### **15.4 Termination of Lenders' Obligations.**

The occurrence and continuance of a Default or an Event of Default shall relieve the Lenders of all obligations to provide any further Drawdowns or Conversions to the Borrower hereunder; provided that the foregoing shall not prevent the Lenders or the Agent from disbursing money or effecting any Conversion which, by the terms hereof, they are entitled to effect, or any Conversion requested by the Borrower and acceptable to the Lenders and the Agent.

#### **15.5 Attorney in Fact.**

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

#### **15.6 Application of Proceeds.**

Except as otherwise agreed to by all of the Lenders in their sole discretion or as otherwise expressly provided for herein, all (i) payments made by or on behalf of the Borrower under the Documents after acceleration pursuant to Section 15.2, and (ii) proceeds resulting from any realization or enforcement of the Security, including by way of foreclosure, will be applied and distributed by the Agent or any nominee thereof, rateably and distributed to the Lenders and the Agent in the following manner order and manner:

- (a) first, in full and final payment of any unpaid fees, costs and expenses of the Agent;

- (b) second, in full and final payment of any amounts due and payable by way of recoverable expenses, including all out-of-pocket realization and enforcement costs and all legal costs and disbursements (on a solicitor and his own client full indemnity basis);
- (c) third, in full and final payment of all accrued and unpaid interest, Letter of Credit Fees and standby fees in connection with Facility A and Facility B, based on each Lender's Rateable Portion;
- (d) fourth, in full and final payment of the Aggregate Principal Amount under Facility A and the Aggregate Principal Amount under Facility B, on a *pro rata* basis;
- (e) fifth, in full and final payment of all other Obligations; and
- (f) finally, if there are any amounts remaining and subject to applicable Law, to the Borrower.

## ARTICLE 16 CONFIDENTIALITY

### 16.1 Non-Disclosure.

All information, including any information relating to a Hostile Acquisition, other than information that is required by Law to be disclosed by the Party receiving the information to any Administrative Body, will be held by the Parties in the strictest confidence and will not be disclosed to any Person, except as provided in Section 16.2 and 16.3.

### 16.2 Exceptions.

Section 16.1 does not apply to information:

- (a) of a Party where that Party consents in writing to its disclosure;
- (b) which becomes part of the public domain;
- (c) received from a third party without restriction on further disclosure and without breach of Section 16.1;
- (d) developed independently without breach of Section 16.1; or
- (e) to the extent required to be disclosed by order or direction of a court or Administrative Body of competent jurisdiction.

### 16.3 Permitted Disclosures by the Agent and the Lenders.

Information received by the Agent and a Lender may be disclosed to their respective Affiliates, the Agent or any other Lender, including any financial institution which desires to

become a Lender hereunder and to their respective officers, directors, employees, auditors, accountants, legal counsel, geologists, engineers and other consultants and financial advisors retained by such Persons on a need to know basis and subject to the obligation to maintain confidentiality.

#### **16.4 Survival.**

The obligations of the Parties under this Article 16 will survive the termination of this Agreement.

### **ARTICLE 17 ASSIGNMENT**

#### **17.1 Assignment of Interests.**

Except as expressly permitted under Article 14, this Agreement and the rights and obligations hereunder will not be assignable, in whole or in part, by the Borrower without the prior written consent of all of the Lenders.

#### **17.2 Assignment by the Lenders.**

Any Lender will have the right to sell or assign all or any portion of its Individual Commitment to one or more Persons acceptable to the Borrower, acting reasonably, where any such assignment is for a minimum Individual Commitment of Cdn.\$10,000,000 and assignments or participations in excess thereof in integral multiples of Cdn.\$5,000,000 (or a lesser amount if the aggregate remaining Lender's Individual Commitment is less than such amount) provided that at and after the time of the assignment, the Borrower will not be under any obligation to pay by way of withholding tax or otherwise any greater amount than it would have been obliged to pay if such Lender had not made an assignment. In the event of such sale or assignment, the Borrower will execute and deliver all such agreements, documents and instruments as the Lenders may reasonably request to effect and recognize such sale or assignment, including any amendments required to this Agreement. Notwithstanding the foregoing, no consent of the Borrower will be required if an assignment occurs during an Event of Default which is continuing.

#### **17.3 Effect of Assignment.**

To the extent that a Lender sells or assigns any portion of its Individual Commitment pursuant to Section 17.2 and such new Lender or Lenders, as the case may be, have executed and delivered to the Borrower an agreement whereby such new Lender or Lenders, as the case may be, each confirm that from and after the date of such agreement it will be a Lender under this Agreement and will be bound by and perform, where required, all of the terms, conditions and covenants of this Agreement and the other Documents applicable to a Lender, such Lender will be relieved and forever discharged of any and all of its covenants and obligations under the Documents in respect of that portion of the Individual Commitment so sold or assigned from and after the date of such assignment and the Borrower's recourse under the Documents in respect of such portion so sold or assigned from and after the date of such assignment for

matters arising thereunder from and after the date of such assignment will be to such new Lender or new Lenders only, as the case may be, and their successors and permitted assigns.

**17.4 Participations.**

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

- (a) no participation contemplated in this Section 17.4 will relieve a Lender from its commitments or its other obligations hereunder or under any other Document;
- (b) each Lender will remain solely responsible for the performance of its commitments and such other obligations as if such participation had not taken place;
- (c) no Participant will have any rights (through a right of consent or approval or otherwise) to require the Lenders to take or refrain from taking any action hereunder or under any other Document; and
- (d) the Borrower will not be required to pay any amount hereunder that is greater than the amount which it would have been required to pay had no participating interest been sold.

**ARTICLE 18**

**THE AGENT AND ADMINISTRATION OF THE CREDIT FACILITIES**

**18.1 Authorization and Action.**

- (a) Each Lender hereby irrevocably appoints and authorizes the Agent to be its attorney in its name and on its behalf to exercise such rights or powers granted to the Agent or the Lenders under this Agreement and the other Documents on the terms specifically provided herein and therein, including, without limitation, the right to consent in writing to matters requiring consent of the Lenders, to amend this Agreement and to waive any Default or Event of Default under this Agreement, together with such powers as are reasonably incidental thereto, the exercise of all such rights and powers to be done in accordance with Section 18.7 and Section 1.11 hereof.
- (b) As to any matters not expressly provided for by this Agreement or the Documents (including, without limitation, enforcement thereof), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Lenders or the Majority Lenders, as the case may be, and such instructions shall be binding upon all Lenders; provided, however, that the Agent shall not be required to take any

action which exposes the Agent to liability in such capacity, which could result in such Agent incurring any costs and expenses not contemplated by this Agreement or which is contrary to this Agreement or applicable Laws.

## 18.2 Duties and Obligations.

Neither the Agent acting in such capacity nor any of its Directors, officers, agents or employees (and for purposes hereof, the Agent shall be deemed to be contracting as agent and trustee for and on behalf of such Persons) shall be liable to the Lenders for any action taken or omitted to be taken by it or them under or in connection with this Agreement except for its or their own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Agent:

- (a) may assume that there has been no assignment or transfer by any of the Lenders of their rights hereunder unless and until the Agent receives written notice of the assignment thereof from such Lenders and the Agent receives a copy of an executed Assignment Agreement relating thereto;
- (b) may consult with legal counsel, independent public accountants and other experts selected by the Lenders and shall not be liable to the Lenders for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;
- (c) shall incur no liability to the Lenders under or in respect of this Agreement or any of the Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable, facsimile or telex) believed by it to be genuine and signed or sent by the proper party or parties or by acting upon any representation or warranty of the Borrower made or deemed to be made hereunder;
- (d) may assume that no Default or Event of Default has occurred and is continuing unless it has actual knowledge or actual notice to the contrary;
- (e) may rely as to any matters of fact which might reasonably be expected to be within the knowledge of any Person upon a certificate signed by or on behalf of such Person;
- (f) does not make any warranty or representation to any Lender nor shall it be responsible to any Lender for the accuracy or completeness of the data made available to any of the Lenders in connection with the negotiation of this Agreement, or for any statements, warranties or representations (whether written or oral) made in or in connection therewith;
- (g) shall not have any duty to ascertain or to enquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower;

- (h) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Document or any instrument or document furnished pursuant thereto; and
- (i) may delegate its responsibilities and duties under a Document to an Affiliate if necessary to allow the Agent to fulfill its obligations or responsibilities (or a part thereof) under the Documents and such Affiliate will be afforded the same rights, benefits and protections granted to the Agent under the Documents without the requirement of any further action.

### **18.3 Agent's Authority to Deal with Borrowers.**

With respect to its Rateable Portion of a Credit Facility and the Advances, Conversions and Loans made by it as a Lender thereunder, as applicable, the Agent shall have the same rights and powers under this Agreement as any other Lenders and may exercise the same as though it were not the Agent, except as otherwise provided in this Agreement. The Agent may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Affiliate and any Person which may do business with any of them, all as if it were not an Agent hereunder and without any duties to account therefor to the Lenders.

### **18.4 Independent Credit Decisions.**

- (a) Each Lender has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Borrower and Dolomite. Accordingly, each Lender confirms with each of the other Lenders and with the Agent that it has not relied, and will not hereafter rely, on any other Lenders or on the Agent (i) to check or enquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Borrower or any other Person under or in connection with this Agreement or the transactions herein contemplated (whether or not such information has been or is hereafter distributed to such Lenders by the Agent), or (ii) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Borrower or Dolomite.
- (b) Nothing in this Agreement shall oblige the Agent to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent.

### **18.5 Indemnification of Agent.**

The Lenders hereby agree to indemnify the Agent and its directors, officers, agents and employees (to the extent not reimbursed by the Borrower), in accordance with their respective Rateable Portions, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent or its

directors, officers, agents and employees in any way relating to or arising out of this Agreement or any of the other Documents or any action taken or omitted by the Agent hereunder or thereunder or in respect hereof or thereof; provided that no Lenders shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's bad faith, gross negligence, wilful misconduct or illegal act. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for their Rateable Portion of any out of pocket expenses (including counsel fees) incurred by the Agent in connection with the preservation of any rights of the Agent or the Lenders under, or the enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement and the other Documents, to the extent that the Agent is not reimbursed for such expenses by the Borrower. This indemnity will survive the termination of the other provisions of this Agreement as a separate and continuing covenant of the Lenders.

#### **18.6 Successor Agent.**

The Agent may, as hereinafter provided, resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with cause as determined by the Lenders (other than itself). Upon any such resignation or removal, the Lenders shall have the right to appoint a successor agent (the "Successor Agent") which shall be one of the Lenders satisfactory to the Borrower, acting reasonably (although the agreement or consent of the Borrower is not required if the appointment is made when an Event of Default has occurred and is continuing). If no Successor Agent shall have been so appointed by the Lenders and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may appoint a Successor Agent from among the Lenders, acceptable to the Borrower acting reasonably (although the agreement or consent of the Borrower is not required if the appointment is made when an Event of Default has occurred and is continuing). Upon the acceptance of an appointment as Agent hereunder by a Successor Agent, such Successor Agent shall thereupon assume the duties and obligations of the retiring Agent and succeed to and become vested with all the rights, powers, privileges of the retiring Agent, and the retiring Agent shall thereupon be discharged from its further duties and obligations as the Agent under this Agreement. The retiring Agent shall cooperate with the Successor Agent in the performance of its duties for a reasonable period of time after such resignation or removal. After the retiring Agent's resignation hereunder as Agent, the provisions of this Article 18 shall continue to enure to its benefit as to any actions taken or omitted to be taken by it while it was Agent hereunder.

#### **18.7 Action by and Consent of Lenders.**

Except as provided in Section 1.11, where the terms of this Agreement or any of the other Documents refer to any action to be taken hereunder or thereunder by the Lenders or to any such action that requires the consent or other determination of the Lenders, the action taken by and the consent or other determination given or made by the Majority Lenders shall, except to the extent that this Agreement expressly provides to the contrary, constitute the action or consent or other determination of the Lenders herein or therein referred to, and the Agent may exercise its powers under Section 18.1 based upon such action, consent or other determination.

**18.8 Taking and Enforcement of Remedies.**

- (a) Each of the Lenders hereby acknowledges that, to the extent permitted by applicable Law, the remedies provided hereunder and under the Documents to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder are to be exercised collectively by the Agent upon the decision of the Majority Lenders. Notwithstanding any of the provisions contained herein, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action with respect to the Credit Facilities, including, without limitation, any election of remedies in respect of an Event of Default hereunder, but that any such action shall be taken only by the Agent with the prior written agreement of the Majority Lenders provided that notwithstanding the foregoing, in the absence of instructions from the Majority Lenders (or, to the extent Section 1.11 is applicable, all of the Lenders) and where in the sole opinion of the Agent the exigencies of the situation warrant such action, the Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interests of the Lenders. Upon any such written consent being given by the Majority Lenders to the Agent, each Lender shall cooperate fully with the Agent to the extent requested by the Agent in the collective exercise of such rights. Each Lender shall do all acts and things to make, execute and deliver all agreements and other instruments, including, without limitation, any instruments necessary to effect any registrations, so as to fully carry out the intent and purposes of this Section 18.8(a).
- (b) Each of the Lenders shall not seek, take, accept or receive any security for any of the obligations and liabilities of the Borrower hereunder or under any other document, instrument, writing or agreement ancillary hereto other than such Security as is provided hereunder or thereunder and shall not enter into any agreement with any of the parties hereto or thereto relating in any manner whatsoever to the Credit Facilities, unless all of the Lenders shall at the same time obtain the benefit of any such security or agreement.
- (c) Each of the Lenders and the Borrower further covenants and agrees that all proceeds from the exercise of the rights and remedies (including, without limitation, all amounts for which the Agent is entitled to be indemnified under the provisions hereof) provided hereunder and under the Documents, to the extent permitted by applicable Law, are held for the benefit of all of the Lenders and shall be shared among the Lenders in accordance with the provisions of this Agreement and any other agreement the Lenders may enter into (with or without the approval or acknowledgement of the Borrower). To the extent any Lender receives or is entitled to receive any amount hereunder in excess of the amount of indebtedness owed to it hereunder it shall hold such excess in trust on behalf of and for the benefit of the other Lenders entitled thereto.

**18.9 Reliance by Borrower Upon Agent.**

The Borrower shall be entitled to rely upon any certificate, notice or other document (including any facsimile) or other advice, statement or instruction provided to it by the Agent pursuant to this Agreement, and the Borrower shall be entitled to deal with the Agent with respect to matters under this Agreement which the Agent is authorized to deal with without any obligation whatsoever to satisfy itself as to the authority of the Agent to act on behalf of the Lenders and without any liability whatsoever to the Lenders for relying upon any certificate, notice or other document (including any facsimile) or other advice, statement or instruction provided to it by the Agent, notwithstanding any lack of authority of the Agent to provide the same. Any payment made to the Agent in accordance with the terms of any Document shall be deemed to be payment to the Lenders and the Borrower shall not be liable for any losses, liabilities or damages suffered or incurred by any Lender to the extent the Agent fails to distribute, in accordance with the terms of any Document, any amounts received and to be distributed by it thereunder.

**18.10 No Liability of Agent.**

The Agent shall have no responsibility or liability to the Borrower on account of the failure of any Lender to perform its obligations hereunder, or to any Lender on account of the failure of the Borrower or any Lender to perform its obligations hereunder. The Agent, in performing its functions and duties hereunder, shall act solely as the agent of the Lenders and does not assume, nor shall it have been deemed to assume, any obligation or relationship of trust or agency with or for the Borrower or any other Person.

**18.11 Set-off.**

Each of the Lenders agrees with each of the other Lenders that if any right of set-off shall be exercised in accordance with this Agreement in connection with any Obligations, it shall promptly so advise the Agent and, to the extent permitted by applicable Law, the Lenders shall share all such set-offs in accordance with the provisions of Section 18.8 hereof, provided that none of the Lenders shall be liable hereunder to any of the other Lenders by reason of failure to exercise any right of set-off or validly to exercise any right of set-off or by reason of any restriction upon any such sharing.

**18.12 Procedure for Making Loans.**

- (a) Each Lender shall, in the absence of other arrangements agreed to by the Agent and the Borrower in writing, make Loans available to the Borrower as required hereunder by transferring (or causing to be transferred) like funds to the Agent which in turn will transfer such funds in accordance with the instructions of the Borrower, as set forth in the applicable Notice of Borrowing or Notice of Conversion in respect of each Loan; provided that the obligation of each Lender hereunder shall be limited to taking such steps as are commercially reasonable to implement such instructions, which steps once taken shall constitute prima facie evidence that such funds were advanced hereunder in accordance with the provisions relating thereto and the Agent and the Lenders shall not be liable for any damages, claims or costs which may be suffered by the Borrower and

occasioned by the failure of such Loan to reach the designated destination (in which event the Borrower shall for greater certainty be deemed not to have received an Advance hereunder).

- (b) If and to the extent any Lender fails to make its Rateable Portion of a Loan available to the Borrower in accordance with any Notice of Borrowing, Notice of Conversion, the Agent may make such portion of the Loan available to the Borrower on the Drawdown Date or Conversion Date, as the case may be, in accordance with the provisions hereof and such Lender agrees to pay to the Agent forthwith on demand such Lender's Rateable Portion of the Loan and all reasonable costs and expenses incurred by the Agent in connection therewith together with interest thereon (at the rate payable thereunder by the Borrower in respect of such Loan) for each day from the date such amount is made available to the Borrower until the date such amount is paid to the Agent; provided, however, that notwithstanding such obligation if such Lender fails to so pay, the Borrower shall, without prejudice to any rights the Borrower may have against such Lender, repay such amount to the Agent forthwith after demand therefor by the Agent. The amount payable to the Agent pursuant hereto shall be as set forth in a certificate delivered by the Agent to such Lender and the Borrower (which certificate shall contain reasonable details of how the amount payable is calculated) and shall be prima facie evidence of such amount. If such Lender makes the payment to the Agent required herein, the amount so paid (otherwise than in respect of such costs, charges and expenses of the Agent) shall constitute such Lender's Rateable Portion of the Loan for purposes of this Agreement. The failure of any Lender to make its Rateable Portion of the Loan shall not relieve any other Lender of its obligation, if any, hereunder to make its Rateable Portion of the Loan on the Drawdown Date or Conversion Date, as the case may be, but no Lender shall be responsible for the failure of any other Lender to make the Rateable Portion of the Loan to be made by such other Lenders on the date of any Drawdown or Conversion, as the case may be.

#### **18.13 Remittance of Payments.**

Forthwith upon the receipt of any notice of payment by the Borrower hereunder (including a Repayment Notice), the Agent shall give notice to each Lender of the amount of the payment to be made to it on such day and all other relevant particulars of such payment. Subject to Section 18.16, forthwith after receipt of any repayment or payment of any Loans (including any partial payment by the Borrower) under the Credit Facilities or any payment of interest or fees payable by the Borrower hereunder, the Agent shall remit to each Lender that has made such Loans a portion (the "Repayment Portion") of such repayment, payment, interest or fees calculated proportionately in accordance with the respective Loan amounts outstanding funded by each Lender. Following the declaration by the Agent pursuant to the terms of Section 15.2 that all Obligations are due and payable, all payments by the Borrower and all amounts received by the Agent will be applied to each Lender proportionately in accordance with the respective Loan amounts outstanding from each Lender under the Credit Facilities. If the Agent, on the assumption that it will receive on any particular date a payment of principal, interest or fees hereunder, remits to each Lender its Repayment Portion of such

payment and the Borrower fails to make such payment, each of the Lenders agrees to repay to the Agent forthwith on demand such Lender's Repayment Portion of the payment made pursuant hereto together with all reasonable costs and expenses incurred by the Agent in connection therewith and interest thereon at the applicable rate for each day from the date such amount is remitted to the Lenders.

#### **18.14 Redistribution of Payments.**

If at any time prior to the Lenders' declaration that all Obligations are due and payable pursuant to Section 15.2, any Lender (an "Overpaid Lender") has received or recovered any amount (an "Excess Amount") in payment on account of the Obligations of the Borrower to such Overpaid Lender (whether by means of a voluntary or involuntary payment by the Borrower, through the exercise of a right of set-off or otherwise) which is in excess of the Overpaid Lender's Rateable Portion of the aggregate of all payments on account of the Obligations of the Borrower to the Lenders in respect of the Obligations, then:

- (a) such Overpaid Lender shall pay to the Agent an amount equal to the Excess Amount;
- (b) such Agent shall treat such payment as a payment made to it by the Borrower in respect of Obligations outstanding to the Lenders and shall distribute such payment among the Lenders in accordance with their respective Rateable Portions;
- (c) the Excess Amount originally paid to the Overpaid Lender shall, once received by the Agent in accordance with the terms hereof, cease to be treated as a payment on account of the Obligations by the Borrower to such Overpaid Lender and the Obligations that were reduced by the Excess Amount shall be automatically reinstated (for greater certainty, this is not intended to require double payment by the Borrower of any Obligations);
- (d) as between the Borrower and each relevant Lender, the portion of the Excess Amount received by the Lender from the Agent shall be treated as having been paid by the Borrower to such Lender in respect of such Obligations on the day of the receipt thereof; and
- (e) the Agent shall give notice to the Borrower of all relevant particulars of the payment to the Agent of the Excess Amount and the redistribution by such Agent of such payment;

provided that if the Overpaid Lender is subsequently required (whether by order of a court or otherwise) to repay any portion of the Excess Amount to the Borrower, each Lender shall forthwith pay its applicable share (based on the share of such Excess Amount received by such Lenders of such portion to the Agent for the account of the Overpaid Lender. For the purposes of paragraph (b) above and the proviso to this Section 18.14, the Rateable Portion of any Lender shall be calculated with reference to any Obligations in respect of the Overpaid Lender.

**18.15 Several Liability.**

The obligations of each Lender and of the Agent under this Agreement are several and not joint or joint and several. The failure of any Lender to carry out its obligations hereunder shall not relieve the other Lenders, the Agent or the Borrower of any of their respective obligations hereunder. Neither the Agent nor any Lender shall be responsible for the obligations of any other Lenders hereunder.

**18.16 Adjustments to Reflect Rateable Portions.**

- (a) In connection with any Drawdown or Conversion under a Credit Facility or any reimbursement or repayment of any of the Obligations, the Agent shall, in its sole and unfettered discretion, have the right (but not the obligation) to make adjustments of the amount of such Drawdown or Conversion advanced or paid by any Lender in order to maintain or readjust the aggregate balance of the Loans made by each Lender so that they are in the same proportion as the Rateable Portion of each Lender. Each Lender agrees, upon the request of the Agent at any time and from time to time (whether before or after the occurrence of an Event of Default) to make such payments as may be necessary to maintain or readjust the Obligations in accordance with its Rateable Portion.
- (b) If upon the Lenders' declaration that all Obligations are due and payable pursuant to Section 15.2, with respect to any Lender, the aggregate of all outstanding Loans made by such Lenders is less than its Rateable Portion of the aggregate of all outstanding Loans, the Agent may, by written notice, require such Lenders to pay to the Agent, for the credit of the other Lenders, such amount so as to bring the aggregate of all outstanding Loans made by the Lenders equal to its Rateable Portion of the aggregate of all outstanding Loans. The Agent shall credit the funds received from such Lenders to any other Lender or Lenders, as it may determine in its discretion, so as to render the aggregate of the outstanding Loans made by each Lender equal to the Rateable Portion of each Lender of all outstanding Loans.
- (c) The Lenders agree that, after an acceleration pursuant to Section 15.2, the amount of any repayment made by the Borrower under the Documents and the amount of any proceeds from the exercise of any rights or remedies of the Lenders thereunder which are to be applied against amount owing thereunder, will be so applied in a manner so that to the extent possible the amount of Advances made available by each Lender which remains outstanding after giving effect to such application will be in the same proportion as the Rateable Portion of such Lender.
- (d) Notwithstanding anything contained in this Section 18.16, there shall not be taken into account for the purposes of computing any amount payable to any Lender pursuant to this Section 18.16 any amount which a Lender receives as a result of any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of any monies owing by the Borrower to such Lender other than on account of liabilities arising under the

Documents; provided that, if at any time a Lender (the "Purchasing Bank") received any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Obligations, the Purchasing Bank shall purchase from the other Lenders (in accordance with their respective Rateable Portions) pursuant to Section 18.16(b), an amount of Advances owing to each other Lender that is equal to the same proportion as that Lender's Rateable Portion.

- (e) The Borrower agrees to be bound by and, at the request of the Agent, to do all things reasonably necessary or appropriate to give effect to any and all purchases and other adjustments made by and between the Lenders pursuant to this Section 18.16 but shall incur no increased liabilities or costs by reason thereof.

**18.17 Distribution of Notices, etc.**

Promptly after receipt by the Agent of any notice, document or communication which is delivered to the Agent hereunder on behalf of the Lenders or any group of Lenders, the Agent shall provide a copy thereof to each relevant Lender.

**18.18 Partial Payments.**

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Documents, the Agent shall apply that payment towards the obligations of that Borrower under the Documents in the following order:
  - (i) firstly, in or towards payment of any unpaid fees, costs and expenses of the Agent under the Documents;
  - (ii) secondly, in or towards payment of any accrued interest, fee or commission due but unpaid under this Agreement based on each Lender's Rateable Portion;
  - (iii) thirdly, in or towards payment of any principal due but unpaid under this Agreement based on each Lender's Rateable Portion; and
  - (iv) fourthly, in or towards payment of any other sum due but unpaid under the Documents based on each Lender's Rateable Portion;
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.

**18.19 Defaulting Lender.**

- (a) Each Defaulting Lender shall be required to provide to the Agent cash or cash equivalents in an amount, as shall be determined from time to time by the Agent in its discretion, equal to all other obligations of such Defaulting Lender to the Agent that are owing or may become owing pursuant to this Agreement,

including, without limitation, such Defaulting Lender's obligation to pay its Rateable Portion of any indemnification or expense reimbursement amounts not paid by the Borrower. Such cash or cash equivalents shall be held by the Agent in one or more cash collateral accounts which accounts shall be in the name of the Agent and shall not be required to be interest bearing. The Agent shall be entitled to apply the foregoing cash and cash equivalents in accordance with Section 18.19(c). For certainty, no Lenders shall be required to fund amounts in excess of their Individual Commitment. The foregoing shall not derogate or relieve a Defaulting Lender of its obligations under this Agreement.

- (b) Neither the Agent nor any of its Affiliates nor any of their respective officers, Directors, employees, agents or representatives shall be liable to any Lender (including, without limitation, a Defaulting Lender) for any action taken or omitted to be taken by it in connection with amounts payable by the Borrower to a Defaulting Lender and received and deposited by the Agent in a cash collateral account and applied in accordance with the provisions of this Agreement save and except for the gross negligence or wilful misconduct of the Agent as determined by a final non-appealable judgement of a court of competent jurisdiction.
- (c) The Agent shall be entitled to set off any Defaulting Lender's Rateable Portion of all payments received from the Borrower against such Defaulting Lender's obligations to fund payments and Advances required to be made by it and to purchase participations required to be purchased by it in each case under this Agreement and the other Documents. The Agent shall be entitled to withhold and deposit in one or more non-interest bearing cash collateral accounts in the name of the Agent all amounts (whether principal, interest, fees or otherwise) received by an Agent and due to a Defaulting Lender pursuant to this Agreement which amounts shall be used by the Agent (A) first, to reimburse the Agent for any amounts owing to it by the Defaulting Lender pursuant to any Document, (B) second, to repay any Advances made by a Lender in order to fund a shortfall created by a Defaulting Lender which repayment shall be in the form of an assignment by each such Lender of such Advance to the Defaulting Lender, (C) third, to cash collateralize all other obligations of such Defaulting Lender to the Agent owing pursuant to this Agreement in such amount as shall be determined from time to time by the Agent in its discretion including, without limitation, such Defaulting Lender's obligation to pay its Rateable Portion of any indemnification or expense reimbursement amounts not paid by a Borrower and (D) fourth, at the Agent's discretion, to fund from time to time the Defaulting Lender's Rateable Portion of Advances under the Credit Facilities.
- (d) For certainty, a Defaulting Lender shall have no entitlement to any standby fee that would otherwise accrue to that Lender pursuant to Section 9.1 for the period during which such Lender is a Defaulting Lender, and shall have no voting or consent rights with respect to matters under this Agreement or other Documents except that it shall be entitled to vote in respect to any matter that has the effect of increasing or extending its Individual Commitment, forgiving the requirement

by a Borrower to repay Advances owing to it or otherwise affecting such Lender differently than other Lenders generally. Accordingly, the Individual Commitments and the aggregate unpaid principal amount of the Advances owing to any Defaulting Lender shall be disregarded in determining Majority Lenders and all Lenders or all affected Lender. Notwithstanding the foregoing, should a Defaulting Lender (i) fund all outstanding Advances that it previously failed to fund and pay all other amounts owing to the Agents, and (ii) not otherwise be a Defaulting Lender, and (iii) confirm in writing to the Agent that there is no reasonable likelihood that it will subsequently again become a Defaulting Lender, then such Lender shall thereafter be entitled to vote, shall have consent rights in the same manner and fashion as if it were not a Defaulting Lender and shall cease to be a Defaulting Lender for all purposes.

**18.20 Advisor to Agent and Lenders.**

The Agent and the Lenders shall have the right to retain Alvarez & Marsal Canada ULC, at the expense of the Borrower, as an advisor to the Agent and the Lenders and to review the Borrower's compliance with any covenant, obligation or condition to be observed or performed by it pursuant to any of the Documents from time to time.

**ARTICLE 19  
MISCELLANEOUS**

**19.1 Notices.**

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

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

If to the Agent (other than for Drawdowns, repayments and Conversions):

The Bank of Nova Scotia  
Global Loan Syndications Canada  
Scotia Plaza, 62<sup>nd</sup> Floor  
40 King Street West  
Toronto, Ontario  
M5W 2X6

Attention: Head, Agency Services  
Telecopy No.: *[telecopy no. has been redacted]*

If to the Agent (for Drawdowns, repayments and Conversions):

The Bank of Nova Scotia  
Global Loan Administration and Agency Services  
2<sup>nd</sup> Floor  
720 King Street West  
Toronto, Ontario  
M5V 2T3

Attention: Director, Agency and Loan Operations  
Telecopy No.: *[telecopy no. has been redacted]*

If to the Lenders:

As set forth in Schedule A annexed hereto

If to the Borrower:

Virginia Hills Oil Corp.  
500, 255 - 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3G6

Attention: President and Chief Executive Officer  
Facsimile: (403) 871-2599  
E-mail: *[email address has been redacted]*

- (c) The Parties each covenant to accept service of judicial proceedings arising under the Documents at its respective address set forth herein.
- (d) Any notice or other communication given or made in accordance with this Section 19.1 will be deemed to have been received on the day of delivery if delivered as aforesaid or on the day of receipt of same by telecopy, e-mail or other recorded means of electronic communication, as the case may be, provided such day is a Banking Day and that such notice is received prior to 12:00 noon local time and, if such day is not a Banking Day or if notice is received after 12:00 noon local time, on the first Banking Day thereafter.
- (e) Each Party may change its address, e-mail address and telecopier number for purposes of this Section 19.1 by notice given in the manner provided in this Section 19.1 to the other Parties.

## 19.2 Telephone Instructions.

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

from the Borrower and the said verbal advice as soon as practicable after the conflict or inconsistency becomes apparent to the Agent.

### **19.3 No Partnership, Joint Venture or Agency.**

Except as expressly provided for herein, the Parties agree that nothing contained in this Agreement nor the conduct of any Party will in any manner whatsoever constitute or be intended to constitute any Party as the agent or representative or fiduciary of any other Party nor constitute or be intended to constitute a partnership or joint venture among the Parties or any of them, but rather each Party will be separately responsible, liable and accountable for its own obligations under the Documents, or any conduct arising therefrom and for all claims, demands, actions and causes of action arising therefrom. The Parties agree that no Party will have the authority or represent that it has, or hold itself out as having, the authority to act for or assume any obligation or responsibility on behalf of any other Party, save and except as may be expressly provided for in this Agreement.

### **19.4 Judgment Currency.**

If, for the purposes of obtaining judgment in any court or any other related purpose hereunder, it is necessary to convert an amount due hereunder in the currency in which it is due (the "Original Currency") into another currency (the "Second Currency"), the rate of exchange applicable will be the daily noon day rate quoted by the Bank of Canada on the relevant date to purchase in Calgary, Alberta the Original Currency with the Second Currency and includes any premium and costs of exchange payable by the purchaser in connection with such purchase. Each Party (the "First Party") agrees that its obligation in respect of any Original Currency due from it to the another Party hereunder will, notwithstanding any judgment or payment in the Second Currency, be discharged only to the extent that on the Banking Day following the receipt of any sum so paid in the Second Currency, the other Parties may, in accordance with normal banking procedures, purchase in the Calgary, Alberta foreign exchange market the Original Currency with the amount of the Second Currency so paid; and if the amount of the Original Currency so purchased is less than the amount originally due in the Original Currency, the First Party agrees that the deficiency will be a separate and continuing obligation of it, independent from its obligations under this Agreement, and will constitute in favour of the other Parties a cause of action which will continue in full force and effect notwithstanding any such judgment, or order to the contrary, and the First Party agrees, notwithstanding any such payment or judgment, to indemnify the other Parties against any such loss or deficiency. The Borrower acknowledges and agrees that any indebtedness, obligations or liabilities it may incur or suffer under this Section 19.4 will form part of the Obligations and be secured by the Security.

### **19.5 Environmental Indemnity of Borrower.**

The Borrower hereby indemnifies and holds harmless each of the Agent and the Lenders, including their respective Directors, officers, employees and agents (collectively, the "Indemnified Parties"), for any costs, losses, damages, expenses, judgments, suits, claims, awards, fines, sanctions and liabilities whatsoever (in this Section 19.5 collectively a "Claim") suffered or incurred by an Indemnified Party, arising out of, or in respect of:

- (a) the Release of any Contaminant into the Environment from or into any property, owned, operated or controlled, directly or indirectly, by the Borrower or, after the Amalgamation, Dolomite otherwise in which the Borrower or, after the Amalgamation, Dolomite has an interest; and
- (b) the remedial action, if any, required to be taken by the Agent or the Lenders in respect of any such Release, except in such cases where and to the extent that such Claims from the gross negligence or wilful misconduct of any of the Indemnified Parties.

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

#### **19.6 General Indemnity.**

In addition to any liability of the Borrower to the Lenders under any other provision hereof, the Borrower will and does hereby indemnify each Indemnified Party and hold each Indemnified Party harmless against any losses, claims, costs, damages or liabilities (including reasonable out-of-pocket expenses and reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the same as a result of or in connection with: (a) any cost or expense incurred to fund or maintain any Advance as a result of the Borrower's failure to complete a Drawdown or to make any payment, repayment or prepayment on the date required hereunder or specified by it in any notice given hereunder; (b) the Borrower's failure to pay any other amount, including any interest or fees, due hereunder on its due date after the expiration of any applicable grace or notice periods; (c) the Borrower's failure to give any notice required to be given by it to the Agent or the Lenders hereunder; (d) the failure of the Borrower to make any other payment due hereunder or under any of the other Documents; (e) the inaccuracy of the Borrower's representations and warranties contained in any Document; (f) any failure of the Borrower to observe or fulfil its covenants under any Document; (g) the occurrence of any other Default or Event of Default; or (h) any use of the proceeds of the Credit Facilities, including to pay the purchase price of any acquisition; provided that this Section 19.6 will not apply to any losses, claims, costs, damages or liabilities that arise by reason of the gross negligence or wilful misconduct of the Indemnified Party claiming indemnity hereunder. The provisions of this Section 19.6 shall survive repayment of the Obligations of the Borrower.

#### **19.7 Further Assurances.**

The Borrower will, from time to time forthwith at the Agent's request and at the Borrower's own cost and expense (to the extent reasonable), do, make, execute and deliver, or

cause to be done, made, executed and delivered, all such further documents, financing statements, financing change statements, assignments, acts, matters and things which may be reasonably required by the Agent with respect to the Credit Facilities, the Security or any part thereof and to give effect to any provision of the Documents.

**19.8 Waiver of Law.**

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

**19.9 Attornment and Waiver of Jury Trial.**

The Parties hereto do hereby irrevocably:

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

**19.10 Interest on Payments in Arrears.**

- (a) Except as otherwise provided in this Agreement, interest will be paid by the Parties as follows:
  - (i) on amounts for which any Party has actually incurred an out-of-pocket expense and for which another Party has an obligation under the Documents to reimburse such amounts to the Party incurring the expenses, interest will be payable on such amount at the interest rate payable in respect of Canadian Prime Rate Loans from time to time plus [*interest rate has been redacted*] from and including the day on which the amount was incurred to but excluding the day on which the amount is reimbursed if, commencing on the date which is three (3) Banking Days following a demand for payment of the amount in accordance with the terms of the Documents, such expense has not been paid; and
  - (ii) on amounts payable by one Party to another Party under the Documents where such payment is in default but the non-payment of such amount has not required an actual out-of-pocket expense by the Party to whom such payment is due, at the Canadian Prime Rate plus [*rate has been redacted*] from and including the day on which the payment was due to, but excluding the day on which the payment is made whether before or after judgment, but if such payment is a reimbursement by the Lenders to the Borrower for overpayment by it to the Lenders or is in respect of an

inadvertent underpayment by the Agent, the Lenders or the Borrower to another Party (based on information provided by such other Party), such interest will only be calculated from the date which is three (3) Banking Days following a demand for payment by the Party entitled to it.

- (b) All interest referred to in this Section 19.10 will be simple interest calculated daily on the basis of a 365 year. For the purposes of the *Interest Act* (Canada), the annual rates of interest to which such rates are equivalent are the rates so determined multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest is payable and divided by 365.

#### **19.11 Anti-Money Laundering Legislation.**

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

#### **19.12 Payments Due on Banking Day.**

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

#### **19.13 Whole Agreement.**

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

#### **19.14 Counterparts.**

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

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

**Borrower:**

**VIRGINIA HILLS OIL CORP.**

Per: \_\_\_\_\_

Name: Colin Witwer

Title: President and Chief Executive Officer

Per: \_\_\_\_\_

Name: Tracie Noble

Title: Vice President, Finance and Chief Financial Officer

**Agent:**

**THE BANK OF NOVA SCOTIA, in its capacity as  
Agent**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

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

**Borrower:**

**VIRGINIA HILLS OIL CORP.**

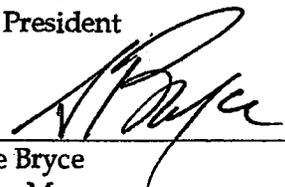
Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Agent:**

**THE BANK OF NOVA SCOTIA, in its capacity as  
Agent**

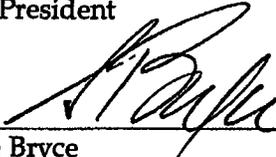
Per:   
Name: Rocco Fabiano  
Title: Vice President

Per:   
Name: Steve Bryce  
Title: Senior Manager

**Lenders:**

**THE BANK OF NOVA SCOTIA**

Per:   
Name: Rocco Fabiano  
Title: Vice President

Per:   
Name: Steve Bryce  
Title: Senior Manager

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

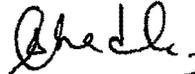
**Lenders:**

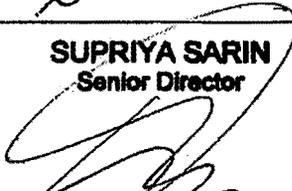
**THE BANK OF NOVA SCOTIA**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per:   
Name: **SUPRIYA SARIN**  
Title: **Senior Director**

Per:   
Name: **DOUG BROWN**  
Title: **Vice-President & Deputy**

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Lenders:**

**THE BANK OF NOVA SCOTIA**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: Clayton Martin  
Title: Director Energy

Per: \_\_\_\_\_  
Name: Trina Holland  
Title: Associate Director, Energy  
ATB Corporate Financial Services

## EXHIBIT "E"

This is Exhibit "E" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.

  
\_\_\_\_\_  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law,  
Expires April 9, 2018.

THIS FIRST AMENDING AGREEMENT AND WAIVER dated as of the 18<sup>th</sup> day of February, 2016

AMONG:

**VIRGINIA HILLS OIL CORP.**, a corporation incorporated under the laws of Alberta (hereinafter referred to as the "Borrower")

OF THE FIRST PART

- and -

**THE BANK OF NOVA SCOTIA AND THE OTHER FINANCIAL INSTITUTIONS NAMED THEREIN FROM TIME TO TIME IN THEIR CAPACITIES AS LENDERS** (hereinafter sometimes collectively referred to as the "Lenders" and sometimes individually referred to as a "Lender")

OF THE SECOND PART

- and -

**THE BANK OF NOVA SCOTIA**, a Canadian chartered bank, in its capacity as administrative agent thereunder (hereinafter referred to as the "Agent")

OF THE THIRD PART

WHEREAS the Borrower, the Agent and the Lenders entered into the Credit Agreement;

AND WHEREAS the Borrower, the Agent and the Lenders wish to enter into this First Amending Agreement to set forth certain changes to the Credit Agreement and to otherwise confirm the provisions of Amended Credit Agreement;

AND WHEREAS pursuant to the provisions of Section 13.3(d) of the Credit Agreement, the Borrower agreed that there will be no negative variance in the actual oil and natural gas production of the Borrower in any reporting month from the amount forecasted in the Cash Flow Model in excess of 10%;

AND WHEREAS the minimum average daily oil and natural gas production that the Borrower could produce for the month of December 2015 and still comply with Section 13.3(d) of the Credit Agreement was 1,472 barrels of oil equivalent per day ("boe/d", using a conversion rate of 6 mcf/bbl); however, the average daily oil and natural gas production of the Borrower for the month of December 2015 was 1,280 boe/d; and

AND WHEREAS the Lenders have agreed to waive compliance with Section 13.3(d) of the Credit Agreement on the terms and subject to the conditions set forth in this First Amending Agreement.

NOW THEREFORE THIS FIRST AMENDING AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable

First Amending Agreement

consideration, the receipt and sufficiency of which is hereby conclusively acknowledged by each of the Parties hereto, the Parties hereto covenant and agree as follows:

1. **Definitions**

All capitalized terms used in this First Amending Agreement shall, unless otherwise defined herein, have the meanings herein given to them in the Credit Agreement, and:

"Amended Credit Agreement" means the Credit Agreement, as amended by this First Amending Agreement, and as it may hereafter be further amended from time to time.

"Credit Agreement" means the credit agreement dated as of April 15, 2015 among the Borrower, the Agent and the Lenders.

"First Amending Agreement" means this first amending agreement and waiver.

"Parties" means the parties which are signatories to this First Amending Agreement.

2. **Waivers of the Credit Agreement**

(a) Effective as of the date of this First Amending Agreement, but subject to the satisfaction by the Borrower of the conditions set forth in Section 4, the Agent and the Lenders waive compliance with Section 13.3(d) of the Credit Agreement, for the sole purpose of permitting the average daily oil and natural gas production of the Borrower for the month of December 2015 to be 1,280 boe/d.

(b) The waiver in Section 2(a) is effective only in respect of the average daily oil and natural gas production of the Borrower for the month of December 2015, and will not be a waiver of compliance in the future or a waiver of any preceding or succeeding breach of the same or any other covenant or provision of the Credit Agreement.

3. **Amendments to the Credit Agreement**

Effective as of the date of this First Amending Agreement, but subject to the satisfaction by the Borrower of the conditions set forth in Section 4, the Credit Agreement is amended as follows:

(a) Section 3.5(a)(i) of the Credit Agreement is hereby amended by inserting ", 3.6" after "3.4" and before "and 5.7".

(b) The following new Section 13.1(aa) is hereby added to the Credit Agreement after Section 13.1(z) thereof:

"(aa) On or before February 29, 2016, the Borrower shall deliver to the Agent evidence satisfactory to the Agent that: (i) Section 8 of the Farm-in Agreement has been amended to extend the date by which the Borrower may elect to exercise its rolling option to drill up to 3 Option Well(s) (as defined in the Farm-in Agreement) on the Farmout Lands (as defined in the Farm-in Agreement) from 120 days of the rig release of the Second Test Well (as defined in the Farm-in Agreement) or the previous Option Well, as the case may be, to January 31, 2017; and (ii) Dolomite

Energy Inc. has received the prior written consent of Alberta Treasury Branches to such amendment of Section 8 of the Farm-in Agreement.”

- (c) Section 13.2(l) of the Credit Agreement is hereby amended by:
- (i) deleting clause (i) in its entirety and replacing it with the following:
    - “(i) during the period from the Closing Date to March 31, 2016, that exceed \$9,309,000 on an accrual basis;”
  - (ii) deleting clause (iii) in its entirety and replacing it with the following:
    - “(iii) during the period from the April 1, 2016 to the Termination Date, that exceed \$85,000 on a cash basis; or”
- (d) Section 15.1 of the Credit Agreement is hereby amended by deleting paragraph (c) in its entirety and replacing it with the following:
- “(c) Breach of Covenants. Except for an Event of Default set out in Section 15.1(a) or elsewhere in this Section 15.1, if the Borrower defaults in the performance or observance of any covenant, obligation or condition to be observed or performed by it pursuant to any of the Documents, and (other than in the case of a default in the performance of the Borrower’s obligations under Section 13.1(aa)) such default continues for a period of 30 days after notice thereof is given to the Borrower by the Agent.”
- (e) The following new Section 15.7 is hereby added to the Credit Agreement after Section 15.6 thereof:

**“15.7 Adjustment Among Lenders**

After all Obligations are declared by the Agent to be due and payable pursuant to Section 15.2, (i) each Lender agrees that it will at any time or from time to time thereafter at the request of the Agent as required by any Lender, purchase at par on a non-recourse basis a participation in the Aggregate Principal Amount owing to each of the other Lenders and make any other adjustments as are necessary or appropriate in order that the Aggregate Principal Amounts owing to each of the Lenders, as adjusted pursuant to this Section 15.7, will be in the same proportion as each Lender’s Individual Commitment was to the Commitment Amount immediately prior to the Event of Default resulting in such declaration, and (ii) the amount of any repayment made by or on behalf of the Borrower under the Documents or any proceeds received by the Agent or the Lenders pursuant to Section 15.6(d) will be applied by the Agent in a manner such that to the extent possible the Aggregate Principal Amount owing to each Lender after giving effect to such application will be in the same proportion as each Lender’s Individual Commitment was to the Commitment Amount immediately prior to the Event of Default resulting in such declaration.”

#### 4. Conditions Precedent

The waivers and amendments to the Credit Agreement set forth in Sections 2 and 3 of this First Amending Agreement shall be effective upon the following conditions having been fulfilled to the satisfaction of the Agent on behalf of the Lenders:

- (a) the Agent shall have received the following documents, all of which documents are to be satisfactory to the Agent and its counsel, acting reasonably as to form and substance and due authorization and execution:
  - (i) the First Amending Agreement, duly executed by the Borrower;
  - (ii) a Closing Certificate from the Borrower, together with all attachments thereto, duly executed by the Borrower;
  - (iii) certificates of status or other similar type evidence for the Provinces of Alberta and Saskatchewan in respect of the Borrower;
  - (iv) a Closing Opinion; and
  - (v) all such other agreements, certificates, declarations, opinions and other documents, as are reasonably required to confirm or establish the completion or satisfaction of the foregoing;
- (b) the representations and warranties deemed to be made by the Borrower pursuant to Section 12.1 of the Credit Agreement shall be true and accurate in all material respects on and as of the required effective date of this First Amending Agreement; and
- (c) no event shall have occurred which would constitute a Default or an Event of Default, and this First Amending Agreement becoming effective shall not result in, or reasonably be expected to result in, the occurrence of a Default or an Event of Default.

#### 5. Representations and Warranties

The Borrower hereby represents and warrants to the Lenders that the representations and warranties contained in Section 12.1 of the Credit Agreement are true and accurate as if made on the date of this First Amending Agreement.

#### 6. Confirmations

Each of the Parties acknowledges and agrees that the Credit Agreement, as amended or varied by this First Amending Agreement, and all other Documents are and will continue to be in full force and effect, and are hereby ratified and confirmed, and the rights and obligations of all Parties thereunder will not be affected in any manner by the provisions of this First Amending Agreement, except as expressly provided in Sections 2 and 3 of this First Amending Agreement.

**7. Further Assurances**

The Borrower will from time to time forthwith, at the Agent's request and at the Borrower's own cost and expense, do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, manners and things which may be reasonably required by the Agent and are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this First Amending Agreement or the Amended Credit Agreement.

**8. Expenses**

Without in any way limiting the provisions of Section 10.3 of the Credit Agreement, the Borrower will be liable for all expenses of the Agent and the Lenders, including legal fees and other out-of-pocket expenses, in connection with the negotiation, preparation, execution and delivery of this First Amending Agreement.

9. Counterparts

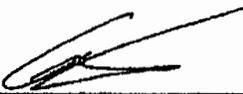
This First Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have caused this First Amending Agreement to be duly executed by their respective authorized officers as of the date and year first above written.

Borrower:

VIRGINIA HILLS OIL CORP.

Per:   
Name: Tracie Noble  
Title: CEO

Per:   
Name: Colin Witwer  
Title: CEO

Agent:

THE BANK OF NOVA SCOTIA, in its capacity as Agent

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**9. Counterparts**

This First Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have caused this First Amending Agreement to be duly executed by their respective authorized officers as of the date and year first above written.

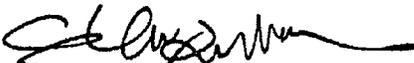
**Borrower:**

**VIRGINIA HILLS OIL CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

**Agent:**

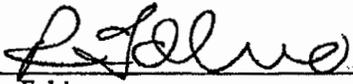
**THE BANK OF NOVA SCOTIA, in its capacity as  
Agent**

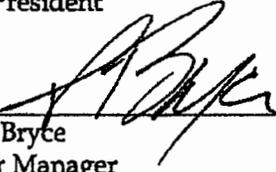
Per:   
Name: \_\_\_\_\_  
Title: **Clement Yu  
Director**

Per:   
Name: \_\_\_\_\_  
Title: **Ryan Moonilal  
Analyst**

**Lenders:**

**THE BANK OF NOVA SCOTIA**

Per:   
Name: Rocco Fabiano  
Title: Vice-President

Per:   
Name: Steve Bryce  
Title: Senior Manager

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

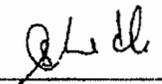
**Lenders:**

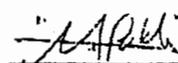
**THE BANK OF NOVA SCOTIA**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per:  \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: **SUPRIYA SARIN**  
**Senior Director**

Per:  \_\_\_\_\_  
Name: **Manan Parikh**  
Title: **Senior Risk Manager**

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Lenders:**

**THE BANK OF NOVA SCOTIA**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

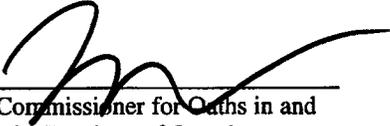
**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: Clayton Martin  
Title: Director Energy

Per: \_\_\_\_\_  
Name: Trina Holland  
Title: Senior Associate Director

## EXHIBIT "F"

This is Exhibit "F" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



---

A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

**SECOND AMENDING AGREEMENT TO THE  
CREDIT AGREEMENT  
DATED AS OF APRIL 15, 2015**

**AMONG:**

**VIRGINIA HILLS OIL CORP.  
as Borrower**

**- and -**

**THE BANK OF NOVA SCOTIA AND THE OTHER FINANCIAL INSTITUTIONS NAMED  
HEREIN FROM TIME TO TIME IN THEIR CAPACITIES AS LENDERS  
as Lenders**

**- and -**

**THE BANK OF NOVA SCOTIA  
as Lead Arranger and Bookrunner**

**- and -**

**THE BANK OF NOVA SCOTIA  
as Administrative Agent**

**July 29, 2016**

THIS SECOND AMENDING AGREEMENT dated as of the 29<sup>th</sup> day of July, 2016

AMONG:

**VIRGINIA HILLS OIL CORP.**, a corporation incorporated under the laws of Alberta (hereinafter referred to as the "**Borrower**")

OF THE FIRST PART

- and -

**THE BANK OF NOVA SCOTIA AND THE OTHER FINANCIAL INSTITUTIONS NAMED THEREIN FROM TIME TO TIME IN THEIR CAPACITIES AS LENDERS** (hereinafter sometimes collectively referred to as the "**Lenders**" and sometimes individually referred to as a "**Lender**")

OF THE SECOND PART

- and -

**THE BANK OF NOVA SCOTIA**, a Canadian chartered bank, in its capacity as administrative agent thereunder (hereinafter referred to as the "**Agent**")

OF THE THIRD PART

**WHEREAS** the Borrower, the Agent and the Lenders entered into the Credit Agreement;

**AND WHEREAS** the Borrower, the Agent and the Lenders wish to enter into this Second Amending Agreement to set forth certain changes to the Credit Agreement and to otherwise confirm the provisions of Amended Credit Agreement.

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

**1. Definitions**

All capitalized terms used in this Second Amending Agreement shall, unless otherwise defined herein, have the meanings herein given to them in the Credit Agreement, and:

**"Amended Credit Agreement"** means the Credit Agreement, as amended by this Second Amending Agreement, and as it may hereafter be further amended from time to time.

**"Credit Agreement"** means the credit agreement dated as of April 15, 2015 among the Borrower, the Agent and the Lenders, as amended by a first amending agreement and waiver dated as of February 18, 2016.

**"Second Amending Agreement"** means this second amending agreement.

"Parties" means the parties which are signatories to this Second Amending Agreement.

## 2. Amendments to the Credit Agreement

Effective as of the date of this Second Amending Agreement, but subject to the satisfaction by the Borrower of the conditions set forth in Section 3, the Credit Agreement is amended as follows:

- (a) Section 1.1 of the Credit Agreement is hereby amended by:
  - (i) adding "and development" after "maintenance" in paragraph (e) of the definition of "Available Cash Flow";
  - (ii) replacing the reference in the definition of "Business Plan" to "September 30, 2016" with "January 31, 2017";
  - (iii) adding the following new definition of "Escrow Funds" in its proper alphabetical order:

""Escrow Funds" means the \$1,000,000 deposited into escrow pursuant to the Arrangement Agreement."
  - (iv) replacing the reference in the definition of "Facility A Commitment Amount" to "\$90,000,000" with "\$90,000,000, provided that such amount shall be reduced to \$89,500,000 on the earlier of (a) when the Escrow Funds are received by the Lenders in accordance with Section 3.6(a) and (b) August 2, 2016";
  - (v) replacing the reference in the definition of "Facility A Termination Date" to "September 30, 2016" with "January 31, 2017"; and
  - (vi) replacing the reference in the definition of "Facility B Termination Date" to "September 30, 2016" with "January 31, 2017".
- (b) Section 3.4 of the Credit Agreement is hereby amended by replacing the reference to "September 30, 2016" with "January 31, 2017".
- (c) Section 3.6 of the Credit Agreement is hereby deleted and replaced with the following:
  - "(a) To the extent that all or any portion of the Escrow Funds are released to the Borrower, the Borrower shall immediately pay such funds to the Lenders to be applied in the following manner:
    - (i) \$500,000 (or, if a lesser amount is released, such amount) shall be used to permanently repay the Aggregate Principal Amount under Facility A and the Commitment Amount shall be reduced by the amount of that payment; and
    - (ii) the balance shall be used to repay the Aggregate Principal Amount under Facility A and such amount may be re-borrowed by the

Borrower if the spudding of the well described in Section 13.1(cc) is completed by September 9, 2016. If the spudding of the well is not completed by September 9, 2016, the balance shall be used to permanently repay the Aggregate Principal Amount under Facility A and the Commitment Amount shall be reduced by the amount of that payment.

- (b) During the period from April 1, 2016 to the Termination Date, the Borrower shall, no later than 30 days after the end of each calendar month, use all Available Cash Flow (to the extent Available Cash Flow is a positive number) in respect of the immediately prior calendar month to permanently repay the Aggregate Principal Amount under Facility A and the Commitment Amount shall be reduced by the amount of that payment. Each such payment shall be accompanied by a summary setting forth reasonable detail of the calculation of the Available Cash Flow comprising such payment."
- (d) The following new Section 10.3(c) is hereby added to the Credit Agreement after Section 10.3(b) thereof:
  - "(c) The Borrower will pay to the Agent for the rateable benefit of the Lenders a cash non-refundable fee in the amount of \$100,000, which fee shall be earned and payable on the earlier of (i) the Termination Date and (ii) termination of this Agreement."
- (e) The following new Sections 13.1(bb) and 13.1(cc) are hereby added to the Credit Agreement after Section 13.1(aa) thereof:
  - "(bb) Sales Process. The Borrower will commence a sales process to market and sell all of the property, assets and undertaking of the Borrower and will permit the Agent, the Lenders and their representatives full and complete access to current information on the sale process, including terms and conditions of proposed bids, status of individual negotiations, identification of and information about prospective purchasers, financing of prospective sales and alternative bids (whether or not pursued by the Borrower). Without limiting the generality of the foregoing, the Borrower specifically covenants and agrees to the following sales process milestones:
    - (i) it will retain a sales consultant or advisor pursuant to an engagement letter that is acceptable to the Agent and the Lenders by no later than August 15, 2016, and hereby agrees to direct such sales consultant or advisor to provide the Agent and the Lenders with any information that is specified herein or otherwise reasonably requested by the Agent or the Lenders;
    - (ii) it will prepare a teaser, a draft non-disclosure agreement, a confidential information memorandum and other relevant marketing materials by no later than August 26, 2016;

- (iii) it will establish an electronic data room by no later than September 13, 2016, and will provide the Agent and the Lenders with unfettered access to such electronic data room; and
- (iv) it will set a deadline for:
  - (A) receipt of bids by prospective purchasers to be no later than October 14, 2016, which bids will include draft purchase agreements and a description of the proposed purchase financing;
  - (B) delivery of a short list of prospective purchasers to the Lenders to be no later than October 18, 2016;
  - (C) receipt of binding offers from prospective purchasers to be no later than November 7, 2016;
  - (D) selection of the successful purchaser(s), acceptable to the Lenders, to be no later than November 9, 2016;
  - (E) execution of all definitive documentation as may reasonably be required in order to consummate and successfully close the transaction to be no later than November 25, 2016; and
  - (F) closing the transaction to be no later than December 7, 2016.

The Borrower shall use all proceeds received by it pursuant to the sales process to permanently repay the Aggregate Principal Amount and the Commitment Amount shall be reduced by the amount of that payment. The Parties acknowledge and agree that, while the completion of any such transaction will be subject to shareholder and other approvals, the Parties have agreed that any failure to meet these milestones will be an Event of Default."

- (cc) Spudding of Wells. The Borrower will spud one well under the Farm-in Agreement prior to September 9, 2016."
- (f) Section 13.2(1) of the Credit Agreement is hereby deleted and replaced with the following:

"Capital Expenditures. The Borrower will not make aggregate capital expenditures (excluding existing equipment owned by the Borrower):

- (i) during the period from the Closing Date to March 31, 2016, that exceed \$9,309,000 on an accrual basis;
- (ii) during the period from the April 1, 2016 to July 31, 2016, that exceed \$85,000 on a cash basis;
- (iii) during the period from August 1, 2016 to October 31, 2016, that exceed \$2,150,000 on an accrual basis, comprised of (A) not more than \$150,000 for

water-flood related expenditures and recompletion of one well; (B) not more than \$1,900,000 for drilling, completing and equipping the well described in Section 13.1(cc); and (C) a \$100,000 contingency; or

(iv) other than as described in the Business Plan.”

- (g) The following new Section 13.2(q) is hereby added to the Credit Agreement after Section 13.2(p) thereof:

“No Hoarding. The Borrower will not use the proceeds of any Advance to accumulate or maintain cash or cash equivalents in one or more accounts (including, for certainty, any depository, investment or securities account) maintained by the Borrower, and, for certainty, the Lenders may refuse to make any requested Advance which the Lenders, acting reasonably, determine would result in a contravention of this Section 13.2(q).”

- (h) Section 13.3(a) of the Credit Agreement is hereby deleted in its entirety and replaced with “[Intentionally Deleted]”.

- (i) Section 13.3(b) of the Credit Agreement is hereby deleted in its entirety and replaced with “[Intentionally Deleted]”.

- (j) Section 13.3(c) of the Credit Agreement is hereby amended by replacing the reference to “\$3,200,000 (being the estimated working capital deficiency as of the Closing Date)” with “\$3,500,000”.

- (k) Section 13.3(d) of the Credit Agreement is hereby deleted and replaced with the following:

“Production. The actual oil and natural gas production of the Borrower shall not be less than:

- (i) in the reporting month ending June 30, 2016, 1,150 boe/d;
- (ii) in each of the reporting months ending July 31, 2016, August 31, 2016 and September 30, 2016, 1,200 boe/d; and
- (iii) in each of the reporting months ending October 31, 2016 to January 31, 2017, 1,250 boe/d.”

- (l) The following new Section (r) is hereby added to the Credit Agreement after Section 15.1(q) thereof:

“(r) Sales Process. The Borrower defaults in the observance or performance of any of the sale milestones described in Section 13.1(bb).”

- (m) Schedule A to the Credit Agreement is hereby deleted and replaced with Appendix A hereto.

- (n) Schedule J to the Credit Agreement is hereby deleted and replaced with Appendix B hereto.

- (o) Schedule L to the Credit Agreement is hereby deleted and replaced with Appendix C hereto.

### **3. Conditions Precedent**

The amendments to the Credit Agreement set forth in Section 2 of this Second Amending Agreement shall be effective upon the following conditions having been fulfilled to the satisfaction of the Agent on behalf of the Lenders:

- (a) the Agent shall have received the following documents, all of which documents are to be satisfactory to the Agent and its counsel, acting reasonably as to form and substance and due authorization and execution:
  - (i) the Second Amending Agreement, duly executed by the Borrower;
  - (ii) a Closing Certificate from the Borrower, together with all attachments thereto, duly executed by the Borrower;
  - (iii) certificates of status or other similar type evidence for the Provinces of Alberta and Saskatchewan in respect of the Borrower;
  - (iv) a Closing Opinion; and
  - (v) all such other agreements, certificates, declarations, opinions and other documents, as are reasonably required to confirm or establish the completion or satisfaction of the foregoing;
- (b) the representations and warranties deemed to be made by the Borrower pursuant to Section 12.1 of the Credit Agreement shall be true and accurate in all material respects on and as of the required effective date of this Second Amending Agreement;
- (c) no event shall have occurred which would constitute a Default or an Event of Default, and this Second Amending Agreement becoming effective shall not result in, or reasonably be expected to result in, the occurrence of a Default or an Event of Default; and
- (d) the Borrower shall have paid to the Agent, for the benefit of the Lenders, a \$100,000 extension fee.

### **4. Representations and Warranties**

The Borrower hereby represents and warrants to the Lenders that the representations and warranties contained in Section 12.1 of the Credit Agreement are true and accurate as if made on the date of this Second Amending Agreement.

### **5. Confirmations**

- (a) Each of the Parties acknowledges and agrees that the Credit Agreement, as amended or varied by this Second Amending Agreement, and all other Documents are and will continue to be in full force and effect, and are hereby ratified and confirmed,

and the rights and obligations of all Parties thereunder will not be affected in any manner by the provisions of this Second Amending Agreement, except as expressly provided in Section 2 of this Second Amending Agreement.

- (b) Each of the Parties acknowledges and agrees that the Maturity Date (as defined in each of the warrant certificates dated May 15, 2015 (collectively, the "Warrant Certificates") issued to each of the Lenders by the Borrower) is January 31, 2017. The Warrant Certificates are and will continue to be in full force and effect, and are hereby ratified and confirmed, and the rights and obligations of all Parties thereunder will not be affected in any manner by the provisions of this Second Amending Agreement, except as expressly provided in this Section 5(b).

**6. Further Assurances**

The Borrower will from time to time forthwith, at the Agent's request and at the Borrower's own cost and expense, do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, manners and things which may be reasonably required by the Agent and are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this Second Amending Agreement or the Amended Credit Agreement.

**7. Expenses**

Without in any way limiting the provisions of Section 10.3 of the Credit Agreement, the Borrower will be liable for all expenses of the Agent and the Lenders, including legal fees and other out-of-pocket expenses, in connection with the negotiation, preparation, execution and delivery of this Second Amending Agreement.

8. Counterparts

This Second Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have caused this Second Amending Agreement to be duly executed by their respective authorized officers as of the date and year first above written.

Borrower:

VIRGINIA HILLS OIL CORP.

Per: EA W  
Name: Brent Conrad  
Title: Vice President, Engineering and  
Chief Operating Officer

Per: Adeline Martin  
Name: Adeline Martin  
Title: Vice President, Finance and  
Chief Financial Officer

Agent:

THE BANK OF NOVA SCOTIA, in its capacity as  
Agent

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**8. Counterparts**

This Second Amending Agreement may be executed in any number of counterparts (including by facsimile or other electronic transmission), each of which when executed and delivered will be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have caused this Second Amending Agreement to be duly executed by their respective authorized officers as of the date and year first above written.

**Borrower:**

**VIRGINIA HILLS OIL CORP.**

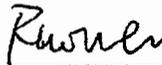
Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**Agent:**

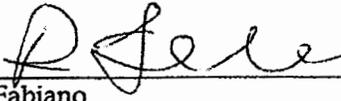
**THE BANK OF NOVA SCOTIA, in its capacity as  
Agent**

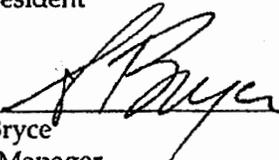
Per:   
Name: **Clement Yu**  
Title: **Director**

Per:   
Name: **Ruowen Liu**  
Title: **Associate Director**

**Lenders:**

**THE BANK OF NOVA SCOTIA**

Per:   
Name: Rocco Fabiano  
Title: Vice President

Per:   
Name: Steve Bryce  
Title: Senior Manager

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

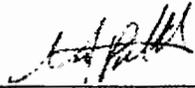
Lenders:

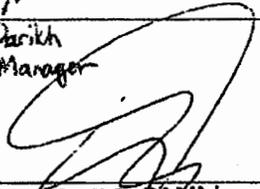
**THE BANK OF NOVA SCOTIA**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per:  \_\_\_\_\_  
Name: Manan Parikh  
Title: Sr. Risk Manager

Per:  \_\_\_\_\_  
Name: **DOUG BROWN**  
Title: **Vice-President & Deputy**

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Lenders:**

**THE BANK OF NOVA SCOTIA**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN IMPERIAL BANK OF COMMERCE**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALBERTA TREASURY BRANCHES**

Per: \_\_\_\_\_  
Name: *Rich Miller*  
Title: *President*

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
**Simon Briggs**  
**Senior Associate Director**

APPENDIX A  
 VIRGINIA HILLS OIL CORP.  
 FIRST AMENDING AGREEMENT  
 DATED JULY 29, 2016

LENDERS AND INDIVIDUAL COMMITMENTS

Facility A

Facility A Lender	Individual Facility A Commitment as of July 29, 2016	Individual Facility A Commitment Following \$500,000 Mandatory Repayment
<p><i>The Bank of Nova Scotia</i>                      44 King Street West, 16<sup>th</sup> Floor                      Toronto, Ontario                      M5H 1H1</p> <p>Attention: Rocco Fabiano, Vice President                      Telecopy No.: (416) 866-4393                      E-mail: rocco.fabiano@scotiabank.com</p> <p>with a copy to:</p> <p><i>The Bank of Nova Scotia</i>                      40 King St. W.                      Scotia Plaza, 62nd Floor                      Toronto, Ontario                      M5H 3Y2</p> <p>Attention: Director, Head of Loan Agency                      Services                      Telecopy No.: (416) 866-3329</p>	<p>\$51,782,000</p>	<p>\$51,494,322</p>
<p><i>Canadian Imperial Bank of Commerce</i>                      25 King Street West, 16th Floor                      Toronto, Ontario                      M5L 2A1</p> <p>Attention: Supriya Sarin, Senior Director                      Telecopy No.: (416) 304-8609                      E-mail: Supriya.Sarin@cibc.com</p>	<p>\$23,474,000</p>	<p>\$23,343,589</p>
<p><i>Alberta Treasury Branches</i>                      6th Floor, 444 – 7th Avenue S.W.                      Calgary, Alberta                      T2P 0X8</p>	<p>\$14,744,000</p>	<p>\$14,662,089</p>

Attention: Rick Miller, Director  
Ian Philip, Associate Director  
Telecopy No.: (403) 767-6588  
E-mail: rmiller2@atb.com  
iphilip@atb.com

**Facility B**

**Facility B Lender**

*The Bank of Nova Scotia*  
44 King Street West, 16<sup>th</sup> Floor  
Toronto, Ontario  
M5H 1H1

Attention: Rocco Fabiano, Vice President  
Telecopy No.: (416) 866-4393  
E-mail: rocco.fabiano@scotiabank.com

<b>Facility B Commitment Amount as of July 29, 2016</b>	<b>Facility B Commitment Amount Following \$500,000 Mandatory Repayment</b>
\$7,000,000	\$7,000,000

**APPENDIX B  
VIRGINIA HILLS OIL CORP.  
FIRST AMENDING AGREEMENT  
DATED JULY 29, 2016**

**FORM OF COMPLIANCE CERTIFICATE**

**TO:** The Bank of Nova Scotia, in its capacity as agent under the Credit Agreement (as defined below) (in such capacity, the "Agent")

**RE:** Credit Agreement dated April 15, 2015 (as amended, modified, replaced, restated or supplemented from time to time, the "Credit Agreement") among Virginia Hills Oil Corp., as borrower (the "Borrower"), The Bank of Nova Scotia and the other financial institutions named therein, as lenders, and the Agent

---

This Compliance Certificate is delivered pursuant to [Section 2.1(h)] [Section 13.1(h)] of the Credit Agreement.

I, [Name], am the duly appointed [Title] of the Borrower and hereby certify in such capacity for and on behalf of the Borrower, and not in my personal capacity and without assuming any personal liability whatsoever, after making due inquiry:

- (a) This Compliance Certificate applies to the [month/fiscal quarter/fiscal year] of the Borrower ending \_\_\_\_\_;
- (b) I am familiar with and have examined the provisions of the Credit Agreement and I have made such reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower as I have deemed necessary for purposes of this Compliance Certificate;
- (c) Based on the foregoing, no Default or Event of Default has occurred and is continuing;
- (d) The cumulative proceeds received by the Borrower in respect of sales, conveyances and dispositions of tangible personal property since the Closing Date is \$\_\_\_\_\_;
- (e) The aggregate "out-of-the-money" position of the Borrower under all swaps as at the last day of the fiscal [month/quarter/year] of the Borrower described in clause (a) above is Cdn. \$\_\_\_\_\_ and the quantity of such swaps is \_\_\_\_\_ [MMCF or barrels]; covering \_\_\_% of the average daily oil and gas production (net of royalties) of the P&NG Rights of the Borrower over the last fiscal quarter of the Borrower as adjusted for acquisitions and divestitures in accordance with the Credit Agreement.

The foregoing amounts were calculated by the Borrower on a mark-to-market basis as at the end of the fiscal [month/quarter/year] of the Borrower most recently ended, and by converting all amounts in U.S. Dollars at such date based on the Noon Rate on

such date. The details of the Borrower's hedging agreements are set forth in Exhibit 1 hereto.

- (f) The Debt to EBITDA Ratio of the Borrower as of the end of this fiscal quarter of the Borrower is \_\_\_\_\_ :1.0, the calculations of which are outlined in Exhibit 2 hereto; and
- (g) The Net Debt outstanding for the month ended as at ● of the Borrower is \$\_\_\_\_\_ and such amount does not exceed the aggregate of the Commitment Amount and \$3,500,000;
- (h) The production for the month ended as at ● of the Borrower is \_\_\_\_\_ boe/d and the actual oil and natural gas production of the Borrower is not less than:
  - (i) in the reporting month ending June 30, 2016, 1,150 boe/d;
  - (ii) in each of the reporting months ending July 31, 2016, August 31, 2016 and September 30, 2016, 1,200 boe/d; and
  - (iii) in each of the reporting months ending October 31, 2016 to January 31, 2017, 1,250 boe/d; and
- (i) The Available Cash Flow of the Borrower for the prior calendar month is \$\_\_\_\_\_, the calculations of which are summarized in Exhibit 3 hereto.

Capitalized terms used herein and not otherwise defined herein have the meanings given to them by the Credit Agreement.

Dated at Calgary, Alberta this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**VIRGINIA HILLS OIL CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 1**

**HEDGING AGREEMENTS**

Applicable to the Fiscal Quarter of the Borrower Ending \_\_\_\_\_

Details of Hedging Agreements to which the Borrower is a party as of \_\_\_\_\_

[Note: List all hedging agreements to which the Borrower is a party.]

<b>Deal Type</b>	<b>Counterparty</b>	<b>Notional Amounts or Volumes</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Mark- to- Market</b>	<b>Deal Description</b>	<b>Collateral posted (if any)</b>
Commodity							
a) physically settled							
b) financially settled							
<b>TOTAL</b>							

**EXHIBIT 2**

**DEBT TO EBITDA RATIO**

**Applicable to the Fiscal Quarter of Borrower Ending \_\_\_\_\_**

**[attach calculations]**

**EXHIBIT 3**

**SUMMARY OF AVAILABLE CASH FLOW CALCULATION**

**[attach calculations]**

**APPENDIX C  
VIRGINIA HILLS OIL CORP.  
FIRST AMENDING AGREEMENT  
DATED JULY 29, 2016**

**BUSINESS PLAN**

VIRGINIA HILLS OIL CORP

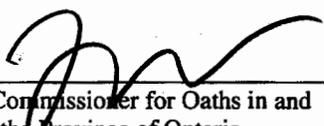
Budget July 22, 2016 (Drill)

Date: 22-Jul-16

	2016	2016	2016	2016	2016	2017	2017	2017	2017	2017
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
	91	91	92	92	386	90	91	92	92	385
<b>PROD (\$000's)</b>										
OIL & LIQUIDS (bbl/d)	1,321	1,207	1,317	1,387	1,308	1,329	1,271	1,218	1,170	1,247
GAS (mcf/d)	127	119	201	203	163	193	184	177	169	181
BOE (Boe/d)	1,343	1,227	1,351	1,421	1,335	1,361	1,301	1,248	1,199	1,277
MBOE/MO	122	112	124	131	489	123	118	115	110	466
Q EXIT BOE/D (Boe/d)	1,356	1,191	1,353	1,401	1,401	1,339	1,263	1,231	1,183	1,183
<b>BENCHMARK PRICES</b>										
WTI (\$US/bbl)	\$33.52	\$45.60	\$45.67	\$46.00	\$42.72	\$47.66	\$49.00	\$50.66	\$51.00	\$49.69
FIX (\$US/\$C)	0.73	0.78	0.76	0.76	0.78	0.76	0.78	0.78	0.76	0.76
Cdn Sweet (\$Cnd/bbl)	\$48.88	\$60.94	\$56.10	\$58.53	\$55.81	\$58.70	\$60.47	\$62.66	\$63.11	\$61.26
<b>HEDGE PROGRAM</b>										
Hedged Volumes (bbl/d)	-	-	-	-	-	-	-	-	-	-
Corp Ave. Hedge Price (\$US WTI/bbl)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>REALIZED PRICES</b>										
Oil (\$/bbl)	\$39.23	\$53.28	\$56.10	\$56.51	\$51.34	\$58.70	\$60.47	\$62.66	\$63.11	\$61.17
NGL (\$/bbl)	\$9.61	\$9.85	\$8.53	\$6.67	\$8.84	\$6.75	\$8.47	(\$0.21)	\$1.11	\$4.19
Gas (\$/mcf)	\$0.17	\$0.11	\$0.30	\$0.30	\$0.24	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Total ave. price (\$/Boe)	\$38.02	\$51.33	\$54.04	\$54.48	\$48.53	\$56.50	\$58.32	\$60.28	\$60.73	\$58.89
Total ave price - hedge (\$/Boe)	\$38.03	\$51.33	\$54.04	\$54.49	\$49.53	\$56.50	\$58.31	\$60.28	\$60.72	\$58.89
<b>ROYALTY RATE (%)</b>										
	10%	8%	12%	12%	10%	12%	12%	12%	12%	12%
<b>OPERATING CASH FLOW</b>										
OIL AND GAS SALES	4,646	5,731	6,715	7,121	24,211	6,923	6,905	6,920	6,896	27,448
COMMODITY/FX HEDGING	-	-	-	-	-	-	-	-	-	-
ROYALTIES	(444)	(325)	(805)	(854)	(2,429)	(831)	(828)	(831)	(803)	(3,293)
NET OIL AND GAS SALES	4,202	5,406	5,910	6,267	21,782	6,092	6,077	6,089	5,893	24,153
OTHER INCOME	205	207	165	165	743	165	165	165	165	660
TOTAL REVENUE	4,407	5,613	6,075	6,432	22,525	6,257	6,242	6,254	6,058	24,813
LEASE OPERATING EXPENSE	4,070	3,600	3,196	3,219	14,089	3,190	3,173	3,160	3,142	12,664
GENERAL & ADMINISTRATIVE	544	666	590	800	2,601	619	740	691	801	2,850
OPERATING CASH FLOW	(207)	1,347	2,289	2,413	5,835	2,448	2,329	2,403	2,116	9,299
TRANSACTION COSTS/ SEVERANCE	-	(166)	-	-	(166)	-	-	-	-	-
CASH INTEREST	1,354	1,353	1,368	1,344	5,417	1,345	1,341	1,350	1,355	5,381
FREE CASH FLOW	(1,581)	160	923	1,069	594	1,103	988	1,053	760	3,908
WORKING CAPITAL CHANGES	1,692	(451)	(738)	(1,007)	(504)	762	578	(1,737)	(893)	(1,091)
CASH FLOW FROM OPERATIONS	131	(291)	185	62	80	1,865	1,566	(684)	67	2,817
MAINTENANCE CAPITAL	46	32	58	76	212	67	57	57	57	238
CASH FLOW AFTER MAINTENANCE CPX	85	(323)	127	(14)	(132)	1,798	1,509	(741)	10	2,579
<b>USE/SOURCE OF FUNDS</b>										
COMMON SHARE ISSUANCE	-	-	-	-	-	-	-	-	-	-
DEBT ISSUE COSTS	(7)	-	-	-	(7)	-	-	-	-	-
DEVELOPMENT CAPITAL	(77)	34	(1,552)	(600)	(2,195)	-	-	-	-	-
DIVESTITURES (ACQUISITIONS)	-	-	-	-	-	-	-	-	-	-
ESCROW FUNDS	-	-	500	-	500	-	-	-	-	-
(USE)/ SOURCE OF FUNDS	(84)	34	(1,052)	(600)	(1,702)	-	-	-	-	-
<b>LOAN DECREASE (INCREASE)</b>										
	0	(289)	(925)	(614)	(1,834)	1,798	1,509	(741)	10	2,579
OPERATING LOAN - OPEN	(94,500)	(94,500)	(94,789)	(95,714)	(94,500)	(96,327)	(94,529)	(93,920)	(93,761)	(98,327)
OPERATING LOAN - CLOSE	(94,500)	(94,789)	(95,714)	(96,327)	(96,327)	(94,529)	(93,020)	(93,761)	(93,761)	(93,748)
<b>WORKING CAPITAL DEFICIT</b>										
NET DEBT	(4,894)	(4,444)	(3,706)	(2,699)	(2,699)	(3,459)	(4,038)	(2,301)	(1,608)	(1,608)
DEBT TO CASH FLOW	(99,394)	(99,233)	(99,420)	(99,026)	(99,026)	(97,988)	(97,058)	(96,062)	(95,359)	(95,356)
	63.4	N/A	44.8	132.6	1,237.6	4.4	5.2	N/A	119.0	33.8
<b>SUMMARY OF CAPITAL</b>										
Maintenance	46	32	58	76	212	67	57	57	57	238
Development	77	(34)	1,552	600	2,195	-	-	-	-	-
Total	123	(2)	1,610	676	2,407	67	57	57	57	238

## EXHIBIT "G"

This is Exhibit "G" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



---

A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

**DEMAND DEBENTURE**

**Agent and Address:** The Bank of Nova Scotia  
Global Loan Syndications Canada  
Scotia Plaza, 62<sup>nd</sup> Floor  
40 King Street West  
Toronto, Ontario  
M5W 2X6

Attention: Head, Agency Services  
Facsimile: (416) 866-3329

**Date:** April 15, 2015

**PREAMBLE:**

- A. Virginia Hills Oil Corp., as borrower (the "Debtor"), The Bank of Nova Scotia and certain other financial institutions, as lenders (the "Lenders"), and The Bank of Nova Scotia, as administrative agent (the "Agent"), are parties to a credit agreement dated April 15, 2015 (such credit agreement, as it may be amended, supplemented or otherwise modified or restated from time to time, the "Credit Agreement").
- B. To secure the payment and performance of the Principal Sum, the Debtor has agreed to grant to the Agent, for its own benefit and on behalf of the Lenders (collectively, the "Beneficiaries" and each a "Beneficiary"), a security interest over the Collateral in accordance with the terms of this Debenture.
- C. The Beneficiaries have agreed to share the Security, including, without limitation, this Debenture, in accordance with Sections 4.2 and 15.6 of the Credit Agreement.
- D. Capitalized words and phrases used but not otherwise defined in this Debenture will have the meanings set out in the Credit Agreement.

**Article 1  
PROMISE TO PAY**

- 1.1 The Debtor, a corporation organized and existing under the laws of Alberta, for value received, hereby acknowledges itself indebted and promises to pay ON DEMAND to or to the order of the Agent, for its own benefit and on behalf of the Beneficiaries from time to time, or any subsequent holder or holders of this Debenture, the Principal Sum set out below in lawful money of Canada at such place as the Agent, from time to time, may designate by notice in writing to the Debtor, and to pay interest thereon from the date of demand at the rate set out below in like money at the same place on the last day of each month following demand and, should the Debtor at any time make default in payment of any principal or interest, to pay interest both before and after default and judgment on the amount in default at the same rate in like money at the same place on the same dates.

**ARTICLE 2  
PRINCIPAL SUM**

- 2.1 The "Principal Sum" is Canadian \$300,000,000.

**ARTICLE 3  
INTEREST RATE**

- 3.1 The "Interest Rate" will be a nominal interest rate equal to 21% per annum.

**ARTICLE 4  
SECURITY**

- 4.1 As general and continuing collateral security for the due payment of the Principal Sum, interest and all other monies payable hereunder or from time to time secured hereby and as security for the performance and observance of the covenants and agreements on the part of the Debtor herein contained, the Debtor hereby:

- (a) grants, assigns as security, conveys, mortgages, pledges and charges, as and by way of a first fixed and specific mortgage, charge and pledge, to and in favour of the Agent and its successors and permitted assigns, for the benefit of the Lenders and their respective successors and permitted assigns, all of its right, title, interest and estate in and to the property set forth on Schedule "A" hereto (the "Lands"), together with all rights, leases, licenses, easements, rights-of-way, profits a-prendre, interests in real property, structures, underground facilities, power, fuel and water supply, storage, waste disposal, roads and other transportation facilities and fixed plant, milling, processing, service and other related infrastructures, buildings, erections, improvements and all fixtures (including trade fixtures), facilities and equipment, howsoever affixed or attached to real property or buildings or other structures on real property (the "Fixtures") now or hereafter constructed or placed on the Lands or used in connection with the Lands and all additions and accessions thereto, and any and all proceeds of any of the foregoing;
- (b) grants, assigns as security, conveys, mortgages and charges, as and by way of a first floating charge, to and in favour of the Agent and its successors and permitted assigns, for the benefit of the Lenders and their respective successors and permitted assigns, all of the real property of the Debtor not subject to the fixed charge in Section 4.1(a), both present and future, of every nature and kind and wherever situate including, without limitation, all rights, leases, licenses, easements, rights-of-way, profits a-prendre, interests in real property, structures, underground facilities, power, fuel and water supply, storage, waste disposal, roads and other transportation facilities and fixed plant, milling, processing, service and other related infrastructures, buildings, erections, improvements and Fixtures now or hereafter constructed or placed on such real property or used in connection with such real property and all additions and accessions thereto, which the Debtor now

has, may be possessed of, entitled to, or acquire, by way of amalgamation or otherwise, now or hereafter, and any and all proceeds of any of the foregoing;

- (c) grants, assigns, conveys, transfers, mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Agent and its successors and permitted assigns, for the benefit of the Lenders and their respective successors and permitted assigns, and grants a continuing security interest in, all of the Debtor's present and after-acquired personal property, including without limitation all present and after-acquired goods, chattel paper, securities, documents of title, instruments, intangibles, investment property and money (as such terms are defined in the Personal Property Security Act (Alberta)), wherever located.

In this Debenture, the mortgages, charges and security interests hereby constituted are called the "Security Interest" and the subject matter of the Security Interest is called the "Collateral".

- 4.2 Until the Security Interest becomes enforceable, the Debtor, subject to the terms of the Credit Agreement, the Security, the Documents and any other documents, instruments and agreements, including any guarantees given by the Debtor, entered into pursuant thereto or in connection therewith from time to time (the "Credit Documents"), may dispose of or deal with the Collateral in the ordinary course of its business or as otherwise permitted by the Credit Agreement and for the purpose of carrying on the same, so that purchasers thereof or parties dealing with the Debtor take title thereto free and clear of the Security Interest. In the event of any such disposition in the ordinary course of business or as permitted by the Credit Agreement, the Agent will, at the written request of the Debtor which will include a certificate of the Debtor stating that such Collateral is being dealt with or disposed of in accordance with this Section 4.2, release its Security Interest over the Collateral which has been disposed.
- 4.3 Without limiting its rights hereunder to crystallize the Security Interest in any other manner, the Agent may, at any time after the occurrence of an Event of Default under any of the Credit Documents or to the extent expressly provided for in any of the Credit Documents, crystallize the Security Interest in respect of all or a portion of the Collateral which is subject to the floating charge in Section 4.1(b) and Section 4.1(c) hereof by (a) giving notice to the Debtor of, and (b) registering this Debenture or a caveat, security notice, financing statement or other instrument in respect of this Debenture, at any public registry or other office maintained for the purposes of registering fixed and specific mortgages and charges, security interests and other like interests, and after such crystallization, the Security Interest in respect of such Collateral that is the subject of the registration shall constitute a fixed and specific mortgage and charge and security interest to and in favour of the Agent, its successors and assigns, in respect of such Collateral, and the Debtor shall not thereafter dispose of or otherwise deal with such Collateral without the consent of the Agent except to the extent otherwise permitted under the Credit Documents.

The Debtor shall execute such further documents and do all acts reasonably requested by the Agent to give effect to the foregoing.

- 4.4 The Security Interest will not extend or apply to the last day of the term of any lease of real property or agreement therefor, but upon the enforcement of the Security Interest, the Debtor will stand possessed of such last day in trust to assign the same at the direction of the Agent to any Person acquiring such term.
- 4.5 The Debtor confirms that value has been given, that the Debtor has rights in the Collateral, and that the Debtor and the Agent, for itself and on behalf of the Beneficiaries, have not agreed to postpone the time for attachment of the Security Interest to any of the Collateral. In respect of Collateral which is acquired after the date of execution hereof, the time for attachment will be the time when the Debtor acquires such Collateral.
- 4.6 The Agent, for its own benefit and on behalf of the Beneficiaries, is the party entitled to receive all amounts payable hereunder and to give a discharge hereof.
- 4.7 The Security Interest does not and will not extend to, and the Collateral will not include, any agreement, right, franchise, licence or permit (the "**Contractual Rights**") to which the Debtor is a party or of which the Debtor has the benefit, to the extent that the creation of the Security Interest would constitute a breach of the terms of or permit any Person to terminate the Contractual Rights, but the Debtor will hold its interest therein in trust for the Agent to the extent permitted by law and will assign such Contractual Rights to the Agent forthwith upon obtaining the consent of the other party or parties thereto.
- 4.8 Notwithstanding the provisions of this Debenture, (i) the Debtor shall remain liable to perform all of its duties and obligations in regard to the Collateral (including, without limitation, all of its duties and obligations arising under any leases, licenses, permits, reservations, contracts, agreements, instruments, contractual rights and governmental orders, authorizations, licenses and permits now or hereafter pertaining thereto) to the same extent as if this Debenture had not been executed; (ii) the exercise by the Agent of any of its rights and remedies under or in regard to this Debenture shall not release the Debtor from such duties and obligations; and (iii) the Agent shall have no liability for such duties and obligations or be accountable for any reason to the Debtor by reason only of the execution and delivery of this Debenture.
- 4.9 The Agent and its successors and assigns shall have and hold the Collateral, together with all tenements, hereditaments and appurtenances thereto, in accordance with the terms of the Credit Documents.
- 4.10 To the extent permitted by applicable Law, the Security Interest shall not be impaired by any indulgence, moratorium or release which may be granted including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in

respect of the Collateral, or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any of the Principal Sum.

- 4.11 The Debtor agrees and acknowledges that the Security Interest and the Collateral are being shared on an equal and pro rata basis, in accordance with the Credit Agreement, among the Beneficiaries and this Debenture is being held by the Agent for its own benefit and on behalf of the Beneficiaries.

#### ARTICLE 5 ENFORCEMENT

- 5.1 Subject to Section 5.2 hereof and the terms of the Credit Documents, upon the occurrence and during the continuance of any Event of Default, the Agent will be entitled to exercise any of the remedies specified below:
- (a) **Receiver.** The Agent may appoint by instrument in writing one or more receivers, managers or receiver/ manager for the Collateral or the business and undertaking of the Debtor pertaining to the Collateral (the "Receiver"). Any such Receiver will have, in addition to any other rights, remedies and powers which a Receiver may have at law, in equity or by statute, the rights and powers set out in clauses (b) through (e) in this Section 5.1. In exercising such rights and powers, any Receiver will act as and for all purposes will be deemed to be the agent of the Debtor and neither the Agent nor any Beneficiary will be responsible for any act or default of any Receiver. The Agent may remove any Receiver and appoint another from time to time. No Receiver appointed by the Agent need be appointed by, nor need its appointment be ratified by, or its actions in any way supervised by, a court.
  - (b) **Power of Sale.** Any Receiver may sell, consign, lease or otherwise dispose of any Collateral by public auction, private tender, private contract, lease or deferred payment with or without notice, advertising or any other formality, all of which are hereby waived by the Debtor to the extent permitted by applicable Law. Any Receiver may, at its discretion establish the terms of such disposition, including terms and conditions as to credit, upset, reserve bid or price. All payments made pursuant to such dispositions will be credited against the Principal Sum only as they are actually received. Any Receiver may buy in, rescind or vary any contract for the disposition of any Collateral and may dispose of any Collateral without being answerable for any loss occasioned thereby. Any such disposition may take place whether or not the Receiver has taken possession of the Collateral.
  - (c) **Pay Liens and Borrow Money.** Any Receiver may pay any liability secured by any actual or threatened Lien against any Collateral. Any Receiver may borrow money for the maintenance, preservation or protection of any Collateral or for carrying on any of the business or undertaking of the Debtor pertaining to the Collateral and may grant Liens in any Collateral (in priority to the Security Interest or otherwise) as security for the money so borrowed. The Debtor will forthwith upon demand reimburse the Receiver for all such

payments and borrowings and such payments and borrowings will be secured hereby and will be added to the money hereby secured and bear interest at the rate set forth in Section 3.1 hereof.

- (d) **Dealing with Collateral.** Any Receiver may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with any Collateral in such manner, upon such terms and conditions and at such time as it deems advisable, including without limitation:
  - (i) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral;
  - (ii) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper in connection with Section 5.1(d)(i);
  - (iii) to file any claims or take any action or institute any proceedings which the Agent may deem to be necessary or desirable for the collection of the Collateral or to enforce compliance with the terms and conditions of any contract or any account; and
  - (iv) to perform the affirmative obligations of the Debtor hereunder (including all obligations of the Debtor pursuant to this Debenture and the Credit Documents.)
- (e) **Carry on Business.** The Agent or any Receiver may carry on, or concur in the carrying on of, any or all of the business or undertaking of the Debtor and enter on, occupy and use (without charge by the Debtor) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Debtor.
- (f) **Right to Have Court Appoint a Receiver.** The Agent may, at any time, apply to a court of competent jurisdiction for the appointment of a Receiver, or other official, who may have powers the same as, greater or lesser than, or otherwise different from, those capable of being granted to a Receiver appointed by the Agent pursuant to this Debenture.
- (g) **Agent May Exercise Rights of a Receiver.** In lieu of, or in addition to, exercising its rights, remedies and powers under clauses (a), (f) and (h) of this Section 5.1, the Agent has, and may exercise, any of the rights and powers which are capable of being granted to a Receiver appointed by the Agent pursuant to this Debenture.
- (h) **Retention of Collateral.** Subject to applicable Law, the Agent may elect to retain any Collateral in satisfaction of the Obligations (as defined below) and, if it does so, may designate any part of the Obligations to be satisfied by the retention of particular Collateral which the Agent considers to have a net realizable value approximating the amount of the designated part of the

Obligations, in which case only the designated part of the Obligations will be deemed to be satisfied by the retention of the particular Collateral.

- (i) **Limitation of Liability.** Subject to Section 13.1, neither the Agent nor any Beneficiary will be liable or accountable for any failure to take possession of, seize, collect, realize, dispose of, enforce or otherwise deal with any Collateral and none of them will be bound to institute proceedings for any such purposes or for the purpose of reserving any rights, remedies and powers of the Agent, the Debtor or any other Person in respect of any Collateral. If any Receiver or the Agent takes possession of any Collateral, neither the Agent nor any Receiver will have any liability as a mortgagee in possession or be accountable for anything except actual receipts.
- (j) **Extensions of Time.** Following the occurrence and during the continuance of any Event of Default, the Agent may grant renewals, extensions of time and other indulgences, accept compositions, grant releases and discharges, and otherwise deal or fail to deal with the Debtor, debtors of the Debtor, guarantors, sureties and others and with any Collateral as the Agent may see fit, all without prejudice to the liability of the Debtor to the Agent or the Agent's rights, remedies and powers under this Debenture or under any other Credit Documents.
- (k) **Validity of Sale.** No Person dealing with the Agent or any Receiver, or with any officer, employee, agent or solicitor of the Agent or any Receiver will be concerned to inquire whether the Security Interests have become enforceable, whether the right, remedy or power of the Agent or the Receiver has become exercisable, whether the Principal Sum remaining outstanding or otherwise as to the proprietary or regularity of any dealing by the Agent or the Receiver with any Collateral or to see to the application of any money paid to the Agent or the Receiver, and in the absence of fraud on the part of such Person such dealings will be deemed, as regards such Person, to be within the rights, remedies and powers hereby conferred and to be valid and effective accordingly.
- (l) **Effect of Appointment of Receiver.** As soon as the Agent takes possession of any Collateral or appoints a Receiver, all powers, functions, rights and privileges of the Debtor including, without limitation, any such powers, functions, rights and privileges which have been delegated to directors, officers of the Debtor or committees with respect to such Collateral will cease, unless specifically continued by the written consent of the Agent or the Receiver.
- (m) **Time for Payment.** If the Agent demands payment of the Principal after the occurrence of an Event of Default or if the Principal Sum is otherwise due by maturity or acceleration, it will be deemed reasonable for the Agent to exercise its remedies immediately if such payment is not made, and any days of grace or any time for payment that might otherwise be required to be

afforded to the Debtor at law or in equity is hereby irrevocably waived to the extent permitted by applicable Law.

- (n) **No Implied Waiver.** The rights of the Agent and the Beneficiaries hereunder will not be capable of being waived or varied otherwise than by an express waiver or variation in writing, and in particular any failure to exercise or any delay in exercising any of such rights will not operate as a waiver or variation of that or any other such right; any defective or partial exercise of any of such rights will not preclude any other or further exercise of that or any other such right, and no act or course of conduct or negotiation on the part of any Beneficiaries or the Agent or on its behalf will in any way preclude any Beneficiaries or the Agent from exercising any such right or constitute a suspension or any variation of any such right.
- (o) **Rights Cumulative.** The rights, remedies and powers conferred by this Section 5.1 are in addition to, and not in substitution for, any other rights, remedies or powers that the Agent or any Beneficiary may have under this Debenture, at law, in equity, by or under the *Personal Property Security Act* (Alberta) or by any other statute or agreement. The Agent may proceed by way of any action, suit or other proceeding at law or in equity and no right, remedy or power of the Agent or any Beneficiary will be exclusive of or dependent on any other. The Agent or any Beneficiary may exercise any of their rights, remedies or powers separately or in combination and at any time.

- 5.2 The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Agent or the Receiver will be applied in the manner and in the order set forth in the Credit Agreement.
- 5.3 If the Agent or any Receiver exercises its rights herein to take possession of the Collateral following the occurrence of an Event of Default which is continuing, the Debtor will upon request from the Agent or any such Receiver, assemble and deliver possession of the Collateral at such place or places as directed by the Agent or any such Receiver.
- 5.4 Upon the full, final and indefeasible payment of the Obligations (as defined below), the Agent will, at the written request and sole expense of the Debtor, reassign and reconvey the Collateral to the Debtor and release and discharge the Security Interest.

#### ARTICLE 6 WAIVER

- 6.1 The Debtor hereby covenants and agrees with the Agent and the Beneficiaries that:
  - (a) *The Land Contracts (Actions) Act* (Saskatchewan) will have no application to any action as defined therein, with respect to the Credit Documents; and
  - (b) *The Limitation of Civil Rights Act* (Saskatchewan) will have no application to:

- (i) the Credit Documents;
- (ii) any Lien for the payment of money made, given created or contemplated by the Credit Documents;
- (iii) any agreement or instrument renewing or extending or collateral to the Credit Documents or renewing or extending or collateral to any Lien referred to or mentioned in subparagraph (b)(ii) of this Section 6.1; or
- (iv) the rights, powers or remedies of the parties under the Credit Documents or Lien, agreement or instrument referred to or mentioned in subparagraphs (b)(ii) or (b)(iii) of this Section 6.1.

#### ARTICLE 7 REPRESENTATIONS

- 7.1 The Debtor represents and warrants to the Agent and each of the Beneficiaries that:
- (a) the address of the Debtor's chief executive office is 500, 255 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 3G6 and the Debtor carries on business only in the Provinces of Alberta and Saskatchewan;
  - (b) the Debtor has good and marketable title in fee simple to, and is the sole legal and beneficial owner of, those Lands noted in Part I of Schedule "A" hereto and good and merchantable title to all other Collateral. The Debtor owns, leases or has the lawful right to use all of the assets necessary for the conduct of its business at full operating capacity; and
  - (c) each lease of real property (including, without limitation, the leases noted in Exhibit "1" of Schedule "A" hereto) is in good standing and all amounts owing under it have been paid, and all necessary consents, approvals or other authorizations required thereunder in connection with the grant of Security Interest under this Debenture or the registration of the Security Interest have been obtained by the Debtor.

#### ARTICLE 8 COVENANTS

- 8.1 The Debtor covenants and agrees with the Agent that:
- (a) **Further Documentation; Pledge of Instruments.** At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Debtor, the Debtor will promptly and duly execute and deliver such further instruments and documents and take such further action as the Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Debenture and of the rights and powers herein granted, including the filing or execution of any financing statements or financing

change statements under any applicable Law with respect to this Debenture. The Debtor also hereby authorizes the Agent to file any such financing statement or financing change statement without the signature of the Debtor to the extent permitted by applicable Law. Without limiting the generality of the foregoing, the Debtor acknowledges that this Debenture has been prepared based on applicable Law and the Debtor agrees that the Agent will have the right, acting reasonably, to require that this Debenture be amended or supplemented: (i) to reflect any changes in applicable Law, whether arising as a result of statutory amendments, court decisions or otherwise; (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions; or (iii) if the Debtor amalgamates with any other Person or enters into any reorganization, in each case in order to confer upon the Agent the security intended to be created hereby.

- (b) **Further Identification of Collateral.** The Debtor will furnish to the Agent 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 Agent may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.

#### ARTICLE 9 ATTORNEY IN FACT

- 9.1 The Debtor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Debtor and in the name of the Debtor or in its own name, from time to time in the Agent'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 Debtor being required to take or execute has failed to take or execute; provided, however that this power of attorney may not be exercised by the Agent until an Event of Default shall have occurred and be continuing. Following the occurrence and during the continuance of an Event of Default, the Debtor 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 Principal Sum has been unconditionally and irrevocably paid and performed in full. Following the occurrence and during the continuance of an Event of Default, the Debtor also authorizes the Agent, 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 5.1(b).

#### ARTICLE 10 EXPENSES

- 10.1 The Debtor agrees to pay the Agent forthwith on demand all reasonable costs, charges and expenses, including, without limitation, all reasonable legal fees (on a

solicitor and his own client full indemnity basis), incurred by the Agent in connection with the administration, recovery or enforcement of payment of any amounts payable hereunder whether by realization or otherwise. All such sums will be secured hereby and will be added to the money hereby secured and bear interest at the rate payable on overdue amounts pursuant to the Credit Agreement.

**ARTICLE 11  
REALIZATION**

- 11.1 Notwithstanding any other provision herein, the Agent will not, nor will it be entitled to, demand payment pursuant to this Debenture or enforce the Security Interest unless and until an Event of Default occurs and is continuing, but thereafter the Agent, itself and the Beneficiaries, may at any time exercise and enforce all of the rights and remedies of a holder of this Debenture in accordance with and subject to the Credit Documents as if the Agent was the absolute owner hereof, provided that the Agent will not be bound to exercise any such right or remedy.

**ARTICLE 12  
DEEMED SATISFACTION**

- 12.1 Notwithstanding any other provision herein, payment in full to the Agent or the Beneficiaries or any of them of all principal and interest in respect of the indebtedness, liabilities and obligations of the Debtor under the Credit Documents (exclusive of this Debenture (other than the obligations under Section 10.1 hereof)) (the "**Obligations**") will be deemed to be payment in satisfaction of the Principal Sum and interest under this Debenture. Notwithstanding the stated interest rate per annum in this Debenture, payment by the Debtor of the relevant fees and interest for any period in respect of the Obligations at the rate at which the Obligations bear interest for such period will be deemed to be payment in satisfaction of the interest payment for the same period under this Debenture. Notwithstanding the Principal Sum, interest and other monies expressed to be payable, capable of collection or secured hereunder, the obligations payable, capable of collection or secured hereunder shall not exceed the Obligations.

**ARTICLE 13  
NO LIABILITY**

- 13.1 Neither the Agent nor any of the Beneficiaries shall be liable for any error of judgment or act done by any of them in good faith, or be otherwise responsible or accountable under any circumstances whatsoever, except for their gross negligence or wilful misconduct. The Agent shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Agent hereunder, believed by the Agent in good faith to be genuine. All moneys received by the Agent shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by applicable Law), and the Agent shall be under no liability for interest on any moneys

received by it hereunder. The Debtor hereby ratifies and confirms any and all acts which the Agent or its successors or substitutes shall do lawfully by virtue hereof.

**ARTICLE 14  
PRESENTMENT**

- 14.1 The Debtor hereby expressly waives demand for payment, presentment, protest and notice of dishonour of this Debenture. Any failure or omission by the Agent to present this Debenture for payment, protest or provide notice of dishonour will not invalidate or adversely affect in any way any demand for payment or enforcement proceeding taken under this Debenture.

**ARTICLE 15  
ENUREMENT AND ASSIGNMENT**

- 15.1 The provisions of this Debenture will be binding upon the Debtor and its successors and will enure to the benefit of the Agent and each Beneficiary and their respective successors and assigns. Subject to the terms of the Credit Documents, the Debtor will not assign this Debenture without the Agent's prior written consent.

**ARTICLE 16  
GOVERNING LAW**

- 16.1 This Debenture will be governed by and construed in accordance with the Laws of the Province of Alberta and the Laws of Canada applicable therein, without giving effect to the conflict of law principles thereof. Without prejudice to the ability of the Agent or any Beneficiary to enforce this Debenture in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta, or any appellate courts thereof, for the purposes of this Debenture.

**ARTICLE 17  
SEVERABILITY**

- 17.1 If any portion of this Debenture or the application thereof to any circumstance will be held invalid or unenforceable by a court of competent jurisdiction from which no further appeal has or is taken, to an extent that does not affect in a fundamental way the operation of this Debenture, the remainder of the provision in question, or its application to any circumstance other than that to which it has been held invalid or unenforceable, and the remainder of this Debenture will not be affected thereby and will be valid and enforceable to the fullest extent permitted by applicable Law.

**ARTICLE 18  
CONSENT AND WAIVER**

- 18.1 No consent or waiver by the Agent will be effective unless made in writing and signed by an authorized officer of the Agent.

**ARTICLE 19  
NOTICE**

- 19.1 Any notice as between the Debtor and the Agent which may or is required to be given pursuant to or in connection with this Debenture will be in writing and will be sufficient if given or made in the manner and at the respective addresses set forth in the Credit Agreement.

**ARTICLE 20  
INCONSISTENCY**

- 20.1 To the extent that there is any inconsistency or ambiguity between the provisions of this Debenture and the Credit Agreement, the provisions of the Credit Agreement will govern to the extent necessary to eliminate such inconsistency or ambiguity.

**ARTICLE 21  
RECEIPT OF COPY**

- 21.1 The Debtor acknowledges receipt of an executed copy of this Debenture. The Debtor waives the right to receive any amount that it may now or hereafter be entitled to receive (whether by way of damages, fine, penalty, or otherwise) by reason of the failure of the Agent to deliver to the Debtor a copy of any financing statement or any statement issued by any registry that confirms registration of a financing statement relating to this Debenture.

**[Remainder of Page Intentionally Left Blank]**

**Article 22**  
**CHARGING CLAUSE**

22.1 For better securing to the Agent the repayment in the manner set out above of the Principal Sum and interest (and other amount hereby secured), the Debtor hereby mortgages to Agent and its successors and permitted assigns, for the benefit of the Lenders and their respective successors and permitted assigns, all of its estate and interest in the Lands.

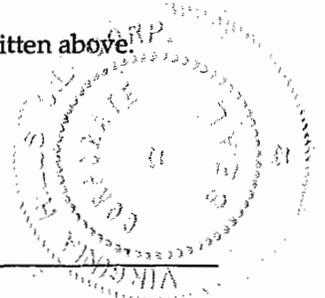
**THIS DEBENTURE** executed at Calgary, Alberta effective the date first written above.

**VIRGINIA HILLS OIL CORP.**

S. Jones  
Witness

Per:

Colin Witwer  
Name: Colin Witwer  
Title: President and Chief Executive Officer



**SCHEDULE "A"  
LANDS**

**PART I – FEE SIMPLE INTERESTS**

**Municipal Address: 226 Highway 88, Red Earth Creek, Alberta**

**Legal Description:**

**PLAN 8421791**

**BLOCK B**

**LOT 3**

**EXCEPTING THEREOUT ALL MINES AND MINERALS**

**AREA: 2.48 HECTARES (6.13 ACRES) MORE OR LESS**

**ESTATE: FEE SIMPLE**

**PART II – OTHER LANDS**

The Lands referred to in Section 4.1(a) to this Debenture to which this Schedule "A" forms a part consist of all of the present and after-acquired right, title, interest and estate of the Debtor in and to:

- (a) all petroleum, natural gas, oil and related hydrocarbons or minerals in place or in storage within, upon or under the lands set forth in Exhibit "1" and all lands now or hereafter pooled, unitized, grouped or otherwise combined for production or other purposes with said lands;
- (b) all rights, licenses, agreements, leases, permits, servitudes, privileges, easements, rights of way, rights of entry, rights of ingress and egress, and other surface rights, governmental or administrative authorizations, licenses, permits and consents and other rights now owned or hereafter acquired by the Debtor under which the Debtor derives, holds or maintains the right to enter upon, occupy and use the lands set forth in Exhibit "1" (and any lands with which said lands are now or hereafter pooled, unitized, grouped or otherwise combined) including, without limitation, the right to drill for produce, store, gather, treat, process, ship, or transport hydrocarbons now or hereafter produced or allocated to the lands set forth in Exhibit "1" (and any lands with which said lands are now or hereafter pooled, unitized, grouped or otherwise combined);
- (c) all leases, licenses, permits, reservations, agreements, authorizations and other instruments under which the Debtor derives, holds or maintains rights in and to the lands set forth in Exhibit "1" (and any lands with which said lands are now or hereafter pooled, unitized, grouped or otherwise combined), including agreements respecting the right to drill for, produce, store, gather, treat, process, ship, or transport hydrocarbons and associated waste products now or hereafter produced or allocated to the lands set forth in Exhibit "1" (and any lands with which said lands

are now or hereafter pooled, unitized, grouped or otherwise combined), and all rights, benefits, privileges and advantages of the Debtor thereunder or derived therefrom;

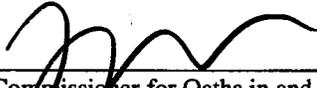
- (d) all the estate or interest of the Debtor in and to any of the said hydrocarbons or minerals, rights, licenses, permits and lands including, without limitation, all interests and rights known as a working interest, royalty interest, overriding royalty interest, gross overriding royalty interest, production payments, profits interest, net profits interest, revenue interest, net revenue interest and other interests in and to all such lands (including all stratigraphic formations from surface to basement) and leases and fractional or undivided interests in any of the foregoing; and
- (e) all buildings, structures, improvements, expansions, erections, works, and Fixtures now or hereafter brought, built, erected, constructed, placed or otherwise situate on the lands set forth in Exhibit "1" (and any lands with which said lands are now or hereafter pooled, unitized, grouped or otherwise combined).

**EXHIBIT "1" of SCHEDULE "A"**

**[Attached]**

## EXHIBIT "H"

This is Exhibit "H" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.

  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

## SECURITIES PLEDGE AGREEMENT

Securities pledge agreement dated as of April 27, 2015 made by Virginia Hills Oil Corp. to and in favour of The Bank of Nova Scotia as Administrative Agent for the benefit of the Beneficiaries.

### RECITALS:

- (a) The Administrative Agent and the Lenders have agreed to make certain credit facilities available to the Obligor on the terms and conditions contained in the Credit Agreement; and
- (b) It is a condition precedent to the extension of credit to the Obligor under the Credit Agreement that the Obligor execute and deliver this Agreement in favour of the Administrative Agent as security for the payment and performance of the Obligor's obligations under the Credit Agreement and the other Credit Documents to which it is a party.

In consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Obligor agrees as follows.

### Section 1 Defined Terms.

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

**"Administrative Agent"** means The Bank of Nova Scotia acting as administrative agent for the Lenders under the Credit Agreement and any successor agent appointed under the Credit Agreement, and its successors and permitted assigns.

**"Agreement"** means this securities pledge agreement.

**"Beneficiaries"** means the Administrative Agent and the Lenders.

**"Collateral"** has the meaning specified in Section 3.

**"Credit Agreement"** means the credit agreement dated as of April 15, 2015, among the Obligor, the Lenders and the Administrative Agent, as the same may be amended, modified, extended, renewed, replaced, restated, supplemented or refinanced from time to time and includes any agreement extending the maturity of, refinancing or restructuring all or any portion of, the indebtedness under such agreement or any successor agreements, whether or not with the same Administrative Agent or Lenders.

**"Credit Documents"** means the Credit Agreement, this Agreement and each other Document.

**"Dolomite"** means Dolomite Energy Inc., a corporation incorporated and existing under the laws of the Province of Alberta, and its successors and permitted assigns.

"Expenses" has the meaning specified in Section 4(b).

"Lenders" means the financial institutions named on Schedule A to the Credit Agreement, any Person who may become a Lender pursuant to the Credit Agreement, and their respective successors and assigns.

"Obligor" means Virginia Hills Oil Corp., a corporation incorporated and existing under the laws of the Province of Alberta, and its successors and permitted assigns.

"Secured Obligations" has the meaning specified in Section 4(a).

"Securities" means securities as defined in the STA.

"Security Documents" at any time means the agreements, documents and instruments described in Article 4 of the Credit Agreement and each additional agreement, document and instrument delivered to any of the Beneficiaries as security for the debts, liabilities and obligations owing by the Obligor to the Beneficiaries or any of them.

"Security Interest" has the meaning specified in Section 4.

## Section 2 Interpretation.

- (1) 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 "investment property", "money" and "proceeds" have the meanings given to them in the PPSA; and the terms "certificated security", "control", "deliver", "entitlement holder", "financial asset", "securities account", "securities intermediary", "security", "security entitlement" and "uncertificated security" have the meanings given to them in the STA. Capitalized terms used in this Agreement but not defined have the meanings given to them in the Credit Agreement.
- (2) Any reference in any Credit Document to Liens permitted by the Credit Agreement and any right of the Obligor to create or suffer to exist Liens permitted by the Credit Agreement are not intended to and do not and will not subordinate the Security Interest to any such Lien or give priority to any Person over the Beneficiaries.
- (3) In this Agreement the words "including", "includes" and "include" mean "including (or includes or include) without limitation". The expressions "Section" and other subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement.
- (4) Any reference in this Agreement to gender includes all genders. Words importing the singular number only include the plural and vice versa.

- (5) The division of this Agreement into Sections and other subdivisions and the insertion of headings are for convenient reference only and do not affect its interpretation.
- (6) The schedules attached to this Agreement form an integral part of it for all purposes of it.
- (7) Any reference to this Agreement, any Credit Document or any Security Document refers to this Agreement or such Credit Document or Security Document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented and includes all schedules attached to it. Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it as the same may have been or may from time to time be amended or re-enacted.

### **Section 3 Grant of Security.**

The Obligor grants to the Administrative Agent, for the benefit of the Beneficiaries, a security interest in, and assigns, charges, hypothecates and pledges to the Administrative Agent, for the benefit of the Beneficiaries, the following (collectively, the "Collateral"):

- (a) all Securities issued and outstanding in the capital of Dolomite now owned or hereafter acquired by the Obligor, including the Securities listed in Schedule "A", as such schedule may be amended, supplemented or modified from time to time, all security certificates and other instruments representing such Securities and all rights and claims of the Obligor in such Securities;
- (b) all substitutions and replacements of, increases and additions to the property described in Section 3(a), including any consolidation, subdivision, reclassification or stock dividend; and
- (c) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Section 3(a) and Section 3(b), including the proceeds of such proceeds.

### **Section 4 Secured Obligations.**

The security interest, assignment, charge, hypothecation and pledge granted by this Agreement (collectively, the "Security Interest") secures the payment and performance of:

- (a) 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 the Obligor to the Beneficiaries, or any one or more of them, in any currency, under, in connection with or pursuant to the Credit Agreement and any other Credit Document to which the Obligor is a party, and whether incurred by the Obligor alone or jointly with another or others and whether as principal,

guarantor or surety and in whatever name or style (collectively, and together with the Expenses, the "Secured Obligations"); and

- (b) all expenses, costs and charges incurred by or on behalf of the Beneficiaries in connection with this Agreement, the Security Interest or the Collateral, including all legal fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment for the Collateral, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Beneficiaries' interest in any Collateral, whether or not directly relating to the enforcement of this Agreement or any other Credit Document (collectively, the "Expenses").

**Section 5 Attachment.**

- (1) The Obligor acknowledges that (i) value has been given, (ii) it has rights in the Collateral or the power to transfer, rights in the Collateral to the Administrative Agent (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a copy of this Agreement.
- (2) If the Obligor acquires any Securities in the capital of Dolomite after the date hereof, the Obligor will notify the Administrative Agent in writing and provide the Administrative Agent with a revised Schedule "A" recording the acquisition or establishment of and particulars relating to such Securities within 15 days after such acquisition.
- (3) The Obligor will cause the Administrative Agent to have control over all Securities and other investment property that are now or at any time become Collateral, and will take all action that the Administrative Agent deems advisable to cause the Administrative Agent to have control over such Collateral, including (i) endorsing any certificated Securities to the Administrative Agent or in blank by an effective endorsement, (ii) delivering the Collateral to the Administrative Agent or someone on its behalf as the Administrative Agent may direct, (iii) delivering to the Administrative Agent any and all consents or other documents or agreements which may be necessary to effect the transfer of any Collateral to the Administrative Agent or any third party and (iv) entering into control agreements with the Administrative Agent and the applicable securities intermediary or issuer in respect of any Collateral in form and substance satisfactory to the Administrative Agent.

**Section 6 Care and Custody of Collateral.**

- (1) The Administrative Agent may, upon the occurrence and during the continuance of an Event of Default assume control of any dividends, distributions or proceeds arising from the Collateral.

- (2) The Administrative Agent has no obligation to collect dividends, distributions or interest payable on, or exercise any option or right in connection with, any Collateral. The Administrative Agent has no obligation to protect or preserve any Collateral from depreciating in value or becoming worthless and is released from all responsibility for any loss of value whether such Collateral is in the possession of, is a security entitlement of, or is subject to the control of, the Administrative Agent, a securities intermediary, the Obligor or any other Person. In the physical keeping of any Securities, the Administrative Agent 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.
- (3) The Administrative Agent 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 over which the Administrative Agent has control, on such conditions and in such manner as the Administrative Agent in its sole discretion may determine.

#### **Section 7        Rights of the Obligor.**

- (1) Until the occurrence of an Event of Default which is continuing, the Obligor is entitled to vote the Securities that are part of the Collateral and to receive all dividends and distributions on such Securities. In order to allow the Obligor to vote any Securities or other financial assets registered in the Administrative Agent's name or the name of its nominee, at the request and expense of the Obligor, the Administrative Agent will, prior to the Security Interest being enforceable, and may, after the Security Interest is enforceable, execute valid proxies appointing proxyholders to attend and act at meetings of shareholders, and execute resolutions in writing, all pursuant to the relevant provisions of the issuer's governing legislation. Upon the occurrence and during the continuance of an Event of Default, all rights of the Obligor to vote (under any proxy given by the Administrative Agent (or its nominee) or otherwise) or to receive distributions or dividends cease and all such rights become vested solely and absolutely in the Administrative Agent.
- (2) Any distributions or dividends received by the Obligor contrary to Section 7(1) or any other moneys or property received by the Obligor after the Security Interest is enforceable will be received as trustee for the Administrative Agent and the Beneficiaries and shall be immediately paid over to the Administrative Agent.

#### **Section 8        Expenses.**

The Obligor is liable for and will pay on demand by the Administrative Agent any and all Expenses.

#### **Section 9        Enforcement.**

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

**Section 10 Remedies.**

Whenever the Security Interest is enforceable pursuant to Section 9, the Administrative Agent may realize upon the Collateral and enforce the rights of the Administrative Agent and the Beneficiaries by:

- (a) realizing upon or otherwise disposing of or contracting to dispose of the Collateral by sale, transfer or delivery;
- (b) exercising and enforcing all rights and remedies of a holder of the Collateral as if the Administrative Agent were the absolute owner thereof (including, if necessary, causing the Collateral to be registered in the name of the Administrative Agent or its nominee if not already done);
- (c) collection of any proceeds arising in respect of the Collateral;
- (d) instruction or order to any issuer or securities intermediary pursuant to any control the Administrative Agent has over the Collateral;
- (e) application of any proceeds arising in respect of the Collateral in accordance with Section 18(12);
- (f) appointment by instrument in writing of a receiver (which term as used in this Agreement includes a receiver and manager) or agent of all or any part of the Collateral and removal or replacement from time to time of any receiver or agent;
- (g) institution of proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral; and
- (h) any other remedy or proceeding authorized or permitted under the PPSA or otherwise by law or equity.

**Section 11 Exercise of Remedies.**

The remedies under Section 10 may be exercised from time to time separately or in combination and are in addition to, and not in substitution for, any other rights of the Administrative Agent and the Beneficiaries however arising or created. The Administrative Agent and the Beneficiaries are not bound to exercise any right or remedy, and the exercise of rights and remedies is without prejudice to the rights of the Administrative Agent and the Beneficiaries in respect of the Secured Obligations including the right to claim for any deficiency.

**Section 12 Receiver's Powers.**

- (1) Any receiver appointed by the Administrative Agent is vested with the rights and remedies which could have been exercised by the Administrative Agent in respect of the Obligor or the Collateral and such other powers and discretions as are granted in the instrument of appointment and any supplemental instruments. The identity of

the receiver, its replacement and its remuneration are within the sole and unfettered discretion of the Administrative Agent.

- (2) Any receiver appointed by the Administrative Agent will act as agent for the Administrative Agent for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Obligor. The receiver may sell, transfer, deliver or otherwise dispose of Collateral as agent for the Obligor or as agent for the Administrative Agent as the Administrative Agent may determine in its discretion. The Obligor agrees to ratify and confirm all actions of the receiver acting as agent for the Obligor, and to release and indemnify the receiver in respect of all such actions.
- (3) The Administrative Agent, in appointing or refraining from appointing any receiver, does not incur liability to the receiver, the Obligor or otherwise and is not responsible for any misconduct or negligence of such receiver.

### **Section 13 Appointment of Attorney.**

The Obligor hereby irrevocably constitutes and appoints the Administrative Agent (and any officer of the Administrative Agent) the true and lawful attorney of the Obligor. As the attorney of the Obligor, the Administrative Agent has the power to exercise for and in the name of the Obligor with full power of substitution, upon the occurrence and during the continuance of an Event of Default, any of the Obligor's right (including the right of disposal), title and interest in and to the Collateral including the execution, endorsement, delivery and transfer of the Collateral to the Administrative Agent, its nominees or transferees, and the Administrative Agent and its nominees or transferees are hereby empowered to exercise all rights and powers and to perform all acts of ownership with respect to the Collateral to the same extent as the Obligor 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 the Obligor. This power of attorney extends to and is binding upon the Obligor's successors and permitted assigns. The Obligor authorizes the Administrative Agent to delegate in writing to another Person any power and authority of the Administrative Agent under this power of attorney as may be necessary or desirable in the opinion of the Administrative Agent, and to revoke or suspend such delegation.

### **Section 14 Dealing with the Collateral.**

- (1) The Administrative Agent and the Beneficiaries are not obliged to exhaust their recourse against the Obligor or any other Person or against any other security they may hold in respect of the Secured Obligations before realizing upon or otherwise dealing with the Collateral in such manner as the Administrative Agent may consider desirable.
- (2) The Administrative Agent and the Beneficiaries may grant extensions or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Obligor and with other Persons, sureties or

securities as they may see fit without prejudice to the Secured Obligations, the liability of the Obligor or the rights of the Administrative Agent and the Beneficiaries in respect of the Collateral.

- (3) Except as otherwise provided by Law or this Agreement, the Administrative Agent and the Beneficiaries are not (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral, (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any Persons in respect of the Collateral, (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of or failure to sell or otherwise deal with the Collateral, or (iv) bound to protect the Collateral from depreciating in value or becoming worthless.

#### Section 15 Standards of Sale.

Without prejudice to the ability of the Administrative Agent to dispose of the Collateral in any manner which is commercially reasonable, the Obligor acknowledges that:

- (a) the Collateral may be disposed of in whole or in part;
- (b) the Collateral may be disposed of by public auction, public tender or private contract, with or without advertising and without any other formality;
- (c) any assignee of the Collateral may be the Administrative Agent, a Beneficiary or a customer of any such Person;
- (d) any sale conducted by the Administrative Agent will be at such time and place, on such notice and in accordance with such procedures as the Administrative Agent, in its sole discretion, may deem advantageous;
- (e) the Collateral may be disposed of in any manner and on any terms necessary to avoid violation of applicable Law (including compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that the prospective bidders and purchasers have certain qualifications, and restrict the prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of the Collateral) or in order to obtain any required approval of the disposition (or of the resulting purchase) by any governmental or regulatory authority or official;
- (f) a disposition of the Collateral may be on such terms and conditions as to credit or otherwise as the Administrative Agent, in its sole discretion, may deem advantageous; and
- (g) the Administrative Agent may establish an upset or reserve bid or price in respect of the Collateral.

**Section 16 Dealings by Third Parties.**

- (1) No Person dealing with the Administrative Agent, any of the Beneficiaries or an agent or receiver is required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which such Person is purporting to exercise have become exercisable, (iii) whether any money remains due to the Administrative Agent or the Beneficiaries by the Obligor, (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 Administrative Agent or any Beneficiary with the Collateral, or (vi) how any money paid to the Administrative Agent or the Beneficiaries has been applied.
- (2) Any *bona fide* purchaser of all or any part of the Collateral from the Administrative Agent or any receiver or agent will hold the Collateral absolutely, free from any claim or right of whatever kind, including any equity of redemption, of the Obligor, which 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 the Obligor has or may have under any rule of law or statute now existing or hereafter adopted.

**Section 17 Representations, Warranties and Covenants.**

The Obligor represents and warrants and covenants and agrees, acknowledging and confirming that the Administrative Agent and each Beneficiary is relying on such representations, warranties, covenants and agreements, that:

- (a) The Obligor will not sell, assign, convey, exchange, release or abandon, or otherwise dispose of, any Collateral except as expressly permitted under the Credit Agreement.
- (b) Schedule "A" lists all Securities in the capital of Dolomite owned or held by the Obligor on the date of this Agreement. Schedule "A" sets out, for each class of Securities listed 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 or uncertificated. The Securities listed on Schedule A represent 100% of the issued and outstanding Securities in the capital of Dolomite and no other Person other than the Obligor owns, legally or beneficially, any issued and outstanding Securities in the capital of Dolomite.
- (c) The Securities that are Collateral have been, where applicable, duly and validly issued and acquired and are fully paid and non-assessable.
- (d) Except as described in Schedule "A", no transfer restrictions apply to the Securities listed in Schedule "A". The Obligor has delivered to the Administrative Agent copies of all shareholder, partnership or trust agreements applicable to each issuer of such Securities which are in the Obligor's possession.

- (e) 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.
- (f) The pledge, assignment, delivery to and control by the Administrative Agent of the Collateral 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 Lien or any agreement purporting to grant to any third party a Lien on or control of the property or assets of the Obligor which would include the Collateral. The Administrative Agent is entitled to all the rights, priorities and benefits afforded by the PPSA or other relevant personal property securities legislation as enacted in any relevant jurisdiction to perfect security interests in respect of such Collateral.
- (g) The Obligor does not know of any claim to or interest in any Collateral, including any adverse claims. If any Person asserts any Lien, encumbrance or adverse claim against any Securities that form part of the Collateral, the Obligor will promptly notify the Administrative Agent.
- (h) The Obligor has not consented to, will not consent to, and has no knowledge of any control by any Person with respect to any Collateral, other than the Administrative Agent.
- (i) The Obligor will not convert, and will not permit the conversion of, Dolomite to an unlimited liability corporation, an unlimited company or an unlimited liability company pursuant to or otherwise governed by the laws of any of the provinces of Canada.
- (j) The Obligor will notify the Administrative Agent immediately upon becoming aware of any change in an "issuer's jurisdiction" in respect of any uncertificated Securities that are Collateral or any change in a "securities intermediary's jurisdiction" in respect of any financial assets, securities entitlements or securities accounts that are Collateral.
- (k) The Obligor will not, after the date of this Agreement, establish and maintain any securities accounts with any securities intermediary unless (i) it gives the Administrative Agent 30 days' prior written notice of its intention to establish such new securities account, (ii) such securities intermediary is reasonably acceptable to the Administrative Agent, and (iii) the securities intermediary and the Obligor (A) execute and deliver a control agreement with respect to such securities account that is in form and substance, satisfactory to the Administrative Agent, or (B) transfer the financial assets in such securities account into a securities account in the name of the Administrative Agent.

- (1) The Obligor will perform all acts, execute and deliver all agreements, documents and instruments and take such other steps as are requested by the Administrative Agent at any time to register, file, signify, publish, perfect, maintain, protect, and enforce the Security Interest including (i) executing, recording and filing 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, (iii) delivering acknowledgements, confirmations and subordinations that may be necessary to ensure that the Security Documents constitute a valid and perfected first ranking security interest (subject only to Permitted Encumbrances), (iv) executing and delivering any certificates, endorsements, instructions, agreements, documents and instruments 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 Administrative Agent.

**Section 18      General.**

- (1) Any notices, directions or other communications provided for in this Agreement must be in writing and given in accordance with the Credit Agreement.
- (2) The Security Interest will not be discharged except by a written release or discharge signed by the Administrative Agent. The Obligor will be entitled to require a discharge by notice to the Administrative Agent upon, but only upon, (a) full and indefeasible payment and performance of the Secured Obligations and (b) the Administrative Agent and the Beneficiaries having no obligations under any Credit Document. Upon discharge of the Security Interest and at the request and expense of the Obligor, the Administrative Agent will execute and deliver to the Obligor such financing statements and other documents or instruments as the Obligor may reasonably require and the Administrative Agent will redeliver to the Obligor, or as the Obligor may otherwise direct the Administrative Agent, any Collateral in its possession.
- (3) This Agreement does not operate by way of merger of any of the Secured Obligations and no judgment recovered by the Administrative Agent or any of the Beneficiaries will operate by way of merger of, or in any way affect, the Security Interest, which is in addition to, and not in substitution for, any other security now or hereafter held by the Administrative Agent and the Beneficiaries in respect of the Secured Obligations. The representations, warranties and covenants of the Obligor in this Agreement survive the execution and delivery of this Agreement and any advances under the Credit Agreement. Notwithstanding any investigation made by or on behalf of the Administrative Agent or the Beneficiaries the covenants, representations and warranties continue in full force and effect.
- (4) The Obligor will do all acts and things and execute and deliver, or cause to be executed and delivered, all agreements, documents and instruments that the Administrative Agent may require and take all further steps relating to the Collateral or any other property or assets of the Obligor that the Administrative Agent may

require for (i) protecting the Collateral, (ii) perfecting, preserving and protecting the Security Interest, and (iii) exercising all powers, authorities and discretions conferred upon the Administrative Agent. After the Security Interest becomes enforceable pursuant to Section 9, the Obligor will do all acts and things and execute and deliver all documents and instruments that the Administrative Agent may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

- (5) 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 Administrative Agent or the Beneficiaries.
- (6) This Agreement is binding on the Obligor, its successors and assigns, and enures to the benefit of the Administrative Agent, the Beneficiaries and their respective successors and assigns. This Agreement may be assigned by the Administrative Agent without the consent of, or notice to, the Obligor, to such Person as the Administrative Agent may determine and, in such event, such Person will be entitled to all of the rights and remedies of the Administrative Agent as set forth in this Agreement or otherwise. In any action brought by an assignee to enforce any such right or remedy, the Obligor will not assert against the assignee any claim or defence which the Obligor now has or may have against the Administrative Agent or any of the Beneficiaries. The Obligor may not assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent which may be unreasonably withheld.
- (7) The Obligor 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 (i) extends to: (A) all of the Securities that any of the amalgamating corporations then own, (B) all of the Securities that the amalgamated corporation thereafter acquires, (C) all of the Securities in which any of the amalgamating corporations then has any interest, and (D) Securities 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 Beneficiaries in any currency, however or wherever incurred, 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 attaches to the additional collateral at the time of amalgamation and to any collateral thereafter owned or acquired by the amalgamated corporation when such becomes owned or is acquired. Upon any such amalgamation, the defined term "Obligor" means, collectively, each of the amalgamating corporations and the amalgamated corporation, the defined term "Collateral" means all of the property described in (i) above, and the defined term "Secured Obligations" means the obligations described in (ii) above.

- (8) If any court of competent jurisdiction from which no appeal exists or is taken, determines any provision of this Agreement to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.
- (9) This Agreement may only be amended, supplemented or otherwise modified by written agreement executed by the Administrative Agent (with the consent of the Majority Lenders) and the Obligor.
- (10) No consent or waiver by the Administrative Agent or the Beneficiaries in respect of this Agreement is binding unless made in writing and signed by an authorized officer of the Administrative Agent (with the consent of the Majority Lenders). Any consent or waiver given under this Agreement is effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Agreement constitutes a waiver of any other provision.
- (11) A failure or delay on the part of the Administrative Agent or the Beneficiaries in exercising a right under this Agreement does not operate as a waiver of, or impair, any right of the Administrative Agent or the Beneficiaries however arising. A single or partial exercise of a right on the part of the Administrative Agent or the Beneficiaries does not preclude any other or further exercise of that right or the exercise of any other right by the Administrative Agent or the Beneficiaries.
- (12) All monies collected by the Administrative Agent upon the enforcement of the Administrative Agent's or the Beneficiaries' rights and remedies under the Security Documents and the Liens created by them including any sale or other disposition of the Collateral, together with all other monies received by the Administrative Agent and the Beneficiaries under the Security Documents, will be applied as provided in the Credit Agreement. To the extent any other Credit Document requires proceeds of collateral under such Credit Document to be applied in accordance with the provisions of this Agreement, the Administrative Agent or holder under such other Credit Document shall apply such proceeds in accordance with this Section.
- (13) In the event of any conflict between the provisions of this Agreement and the provisions of the Credit Agreement which cannot be resolved by both provisions being complied with, the provisions contained in the Credit Agreement will prevail to the extent of such conflict.
- (14) This Agreement will be governed by, interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.
- (15) The Obligor irrevocably attorns and submits to the non-exclusive jurisdiction of any court of competent jurisdiction of the Province of Alberta sitting in Calgary, Alberta in any action or proceeding arising out of or relating to this Agreement and the other Credit Documents to which it is a party. The Obligor irrevocably waives objection to the venue of any action or proceeding in such court or that such court provides an inconvenient forum. Nothing in this Section limits the right of the Administrative

Agent to bring proceedings against the Obligor in the courts of any other jurisdiction.

(16) Application of Saskatchewan Law.

- (a) The *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action, as defined therein, with respect to this Agreement.
- (b) The *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to (i) this Agreement, (ii) any mortgage, charge or other security for the payment of money made, given or created by this Agreement, (iii) any agreement or instrument renewing or extending or collateral to this Agreement or any mortgage, charge or other security referred to or mentioned in (ii) above, or (iv) the rights, powers or remedies of the Administrative Agent under this Agreement or any mortgage, charge, other security, agreement or instrument referred to or mentioned in (ii) or (iii) above.

**[Remainder of Page Intentionally Left Blank]**

IN WITNESS WHEREOF the Obligor has executed this Agreement.

**VIRGINIA HILLS OIL CORP.**

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

Name: Colin Witwer

Title: President and Chief Executive Officer

**SCHEDULE "A"  
SECURITIES**

<b>Issuer</b>	<b>Class of Securities</b>	<b>Number of Securities</b>	<b>% of issued Securities</b>	<b>Certificated &amp; Uncertificated</b>	<b>Certificate Number</b>
Dolomite Energy Inc.	Common Share	1	100%	Certificated	1

**TRANSFER RESTRICTIONS**

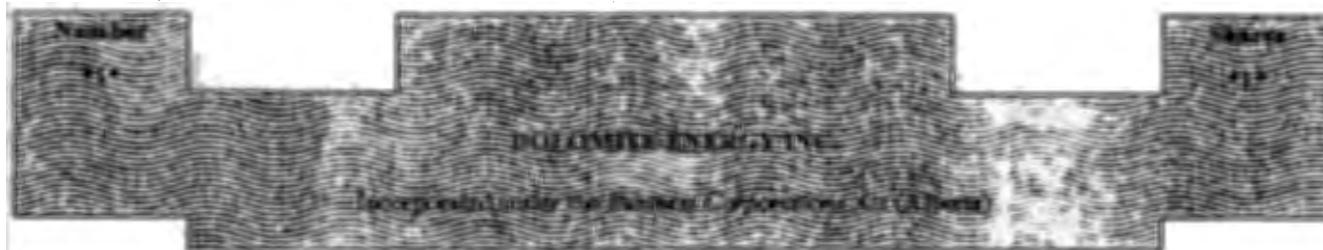
Approval of the directors of Dolomite Energy Inc.

**OTHER INVESTMENT PROPERTY**

N/A

COMMON SHARES

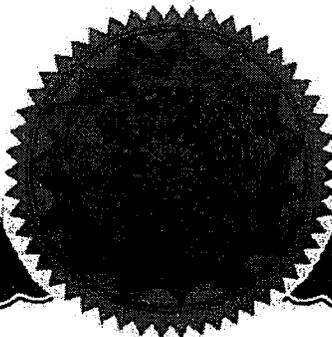
NON-NEGOTIABLE



***THIS CERTIFIES THAT \* VIRGINIA HILLS OIL CORP. \**** is the registered holder of ***\*One (1) Common Share\**** without nominal or par value transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed. There are rights, privileges, restrictions and conditions attached to these shares. The full text of the rights, privileges, restrictions and conditions attached to each class of shares of the Corporation and, if applicable, to each series of any such class insofar as they have been fixed by the Directors, together with the authority of the Directors to fix the rights, privileges, restrictions and conditions of any subsequent series, are obtainable on demand, and without fee, from the Secretary of the Corporation.

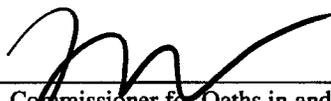
***IN WITNESS WHEREOF***, the said Corporation has caused this Certificate to be signed by its duly authorized officer(s) and its Corporate Seal to be hereunto affixed this 27<sup>th</sup> day of April, 2015.

  
\_\_\_\_\_  
Authorized Signatory



## EXHIBIT "I"

This is Exhibit "I" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.

  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

Search ID#: Z08793746

**Transmitting Party**

MCMILLAN LLP

1700, 421 - 7TH AVENUE SW  
CALGARY, AB T2P 4K9

Party Code: 60001912  
Phone #: 403 231 8381  
Reference #: 247208

Search ID #: Z08793746

Date of Search: 2017-Feb-07

Time of Search: 08:22:43

**Business Debtor Search For:**

VIRGINIA HILLS OIL CORP.

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#: Z08793746

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Business Debtor Search For:**

VIRGINIA HILLS OIL CORP.

Search ID #: Z08793746

Date of Search: 2017-Feb-07

Time of Search: 08:22:43

---

Registration Number: 15031632365

Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Mar-16

Registration Status: Current

Expiry Date: 2020-Mar-16 23:59:59

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

1 VIRGINIA HILLS OIL CORP.  
500, 255 - 5 AVENUE SW  
CALGARY, AB T2P 3G6

**Status**

Current

**Secured Party / Parties**

**Block**

1 THE BANK OF NOVA SCOTIA  
62ND FLOOR, 40 KING STREET WEST  
TORONTO, ON M5W 2X6

**Status**

Current

**Collateral: General**

**Block Description**

1 All present and after acquired personal property of the debtor

**Status**

Current

**Particulars**

**Block Additional Information**

1 The complete address of Secured Party Block 1 is as follows:  
THE BANK OF NOVA SCOTIA  
Global Loan Syndications Canada  
Scotia Plaza, 62nd Floor  
40 King Street West  
Toronto, Ontario  
M5W 2X6

**Status**

Current

Search ID#: Z08793746

**Business Debtor Search For:**

VIRGINIA HILLS OIL CORP.

Search ID #: Z08793746

Date of Search: 2017-Feb-07

Time of Search: 08:22:43

---

Registration Number: 15031632387

Registration Type: LAND CHARGE

Registration Date: 2015-Mar-16

Registration Status: Current

Registration Term: Infinity

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 VIRGINIA HILLS OIL CORP.  
500, 255 - 5 AVENUE SW  
CALGARY, AB T2P 3G6

Current

**Secured Party / Parties**

**Block**

**Status**

1 THE BANK OF NOVA SCOTIA  
62ND FLOOR, 40 KING STREET WEST  
TORONTO, ON M5W 2X6

Current

**Particulars**

**Block**

**Additional Information**

**Status**

1 The complete address of Secured Party Block 1 is as follows:  
THE BANK OF NOVA SCOTIA  
Global Loan Syndications Canada  
Scotia Plaza, 62nd Floor  
40 King Street West  
Toronto, Ontario  
M5W 2X6

Current

Search ID#: Z08793746



**Business Debtor Search For:**

VIRGINIA HILLS OIL CORP.

Search ID #: Z08793746

Date of Search: 2017-Feb-07

Time of Search: 08:22:43

---

Registration Number: 15061824280

Registration Type: SECURITY AGREEMENT

Registration Date: 2015-Jun-18

Registration Status: Current

Expiry Date: 2019-Jun-18 23:59:59

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

1 VIRGINIA HILLS OIL CORP  
SUITE 500, 255 5TH AVENUE SW  
CALGARY, AB T2P 3G6

**Status**

Current

**Secured Party / Parties**

**Block**

1 TDF GROUP INC.  
11025 - 184 STREET  
EDMONTON, AB T5S 0A6

**Status**

Current

**Collateral: Serial Number Goods**

<b><u>Block</u></b>	<b><u>Serial Number</u></b>	<b><u>Year</u></b>	<b><u>Make and Model</u></b>	<b><u>Category</u></b>	<b><u>Status</u></b>
1	3GTU2VEC1FG304194	2015	GMC Sierra 1500	MV - Motor Vehicle	Current

Search ID#: Z08793746

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Business Debtor Search For:**

VIRGINIA HILLS OIL CORP.

Search ID #: Z08793746

Date of Search: 2017-Feb-07

Time of Search: 08:22:43

---

Registration Number: 16112336432

Registration Type: LAND CHARGE

Registration Date: 2016-Nov-23

Registration Status: Current

Registration Term: Infinity

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

1 VIRGINIA HILLS OIL CORP.  
2400, 525 - 8TH AVENUE SW  
CALGARY, AB T2P 1G1

**Status**

Current

**Secured Party / Parties**

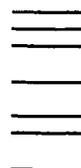
**Block**

1 PRAIRIE PROVIDENT RESOURCES INC.  
1100, 640 - 5TH AVENUE SW  
CALGARY, AB T2P 3G4

**Status**

Current

Search ID#: Z08793746



**Business Debtor Search For:**

VIRGINIA HILLS OIL CORP.

Search ID #: Z08793746

Date of Search: 2017-Feb-07

Time of Search: 08:22:43

---

Registration Number: 16112337124

Registration Type: SECURITY AGREEMENT

Registration Date: 2016-Nov-23

Registration Status: Current

Expiry Date: 2019-Nov-23 23:59:59

---

Exact Match on: Debtor

No: 1

---

**Debtor(s)**

**Block**

**Status**

1 VIRGINIA HILLS OIL CORP.  
2400, 525 - 8TH AVENUE SW  
CALGARY, AB T2P 1G1

Current

**Secured Party / Parties**

**Block**

**Status**

1 PRAIRIE PROVIDENT RESOURCES INC.  
1100, 640 - 5TH AVENUE SW  
CALGARY, AB T2P 3G4

Current

**Collateral: General**

**Block**

**Description**

**Status**

1 All right, title and interest in the debtor to the lands located at Section 34-086-11 W5M, Sections 3, 4, 5, 9, 16, 17-087-11 W5M, Section 23-087-12 W5M and Section s 33-87-8 W5M, the wells and equipment thereon, the petroleum substances produced therefor, and any other tangible and intangible property related thereto.

Current

Result Complete

## EXHIBIT "J"

This is Exhibit "J" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 16  
day of February, 2017.

  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.



## Saskatchewan Personal Property Registry Search Result

**Searching Party:** MCMILLAN LLP  
**Search Date:** 07-Feb-2017 09:24:23  
**Search Type:** Standard

**Search #:** 202395297  
**Client Reference:** 247208  
**Control #:**

**Search Criteria**

**Search By:** Business Debtor Name  
**Business Name**  
Virginia Hills Oil Corp.

---

**The following list displays all matches & indicates the ones that were selected.**

**1 Registration(s) Found: Exacts (1) - Similar (0)**

Selected	Match	Registration #	Debtor Name	City
Yes	Exact	301311967	VIRGINIA HILLS OIL CORP.	CALGARY



**Saskatchewan  
Personal Property Registry  
Search Result**

**Current/Setup - Exact**

**Registration Type:** Personal Property Security Agreement  
**Registration Date:** 16-Mar-2015 15:59:57

**Registration #:** 301311967  
**Expiry Date:** 16-Mar-2020

**Event Type:** Setup  
**Transaction Reason:** Regular

**Notations**

**Trust Indenture:** No

**Registrant**

**Party ID:** 150150499 - 1  
**Entity Type:** Business  
**Name:** MCDUGALL GAULEY LLP

**Address:** 1500 - 1881 Scarth Street  
Regina, Saskatchewan  
S4P4K9  
Canada

**Secured Party**

**Item #:** 1  
**Party ID:** 152287413 - 1  
**Entity Type:** Business  
**Name:** THE BANK OF NOVA SCOTIA

**Address:** GLOBAL LOAN SYNDICATIONS CANADA,  
SCOTIA PLAZA,  
62ND FLOOR, 40 KING STREET WEST  
TORONTO, Ontario  
M5W2X6  
Canada

**Debtor Party**

**\* Item #:** 1  
**Party ID:** 152287414 - 1  
**Entity Type:** Business  
**Name:** VIRGINIA HILLS OIL CORP.

**Address:** 500, 255 - 5 AVENUE SW  
CALGARY, Alberta  
T2P3G6  
Canada

**General Property**

All of the Debtor's present and after-acquired personal property.

**End of Search Result**

## EXHIBIT "K"

This is Exhibit "K" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.



\_\_\_\_\_  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.

FOR DEPARTMENT USE ONLY:

REGISTERED by the Minister of Energy  
this 21st day of April  
2015, as Reg. No. 1501314  
Daniel Zandari  
for Minister of Energy

(Do not write above this line)

A Full name of secured party:

The Bank of Nova Scotia

B Secured party's address for service:

Global Loan Syndications Canada, Scotia Plaza, 62<sup>nd</sup> Floor, 40 King Street West, Toronto, Ontario M5W 2X6

C The secured party hereby gives notice that it has a security interest affecting the following Crown mineral rights agreement(s) (type and number):

Please see Schedule "A" attached hereto.

D Description of security instrument:

1. Full name of corporation or individual who gave the security instrument:

Virginia Hills Oil Corp.

2. Describe the nature of the interest held by the corporation or individual (named in Part D1) in the Crown mineral rights agreement(s) listed in Part C, over which the secured party has a security interest:

Please see Schedule "A" attached hereto.

3. Identify and describe the security instrument (including its date) from which the secured party's security interest arises:

Bank assignment under the *Bank Act*

Debenture

Demand Debenture dated April 15, 2015 granted by Virginia Hills Oil Corp. in favour of The Bank of Nova Scotia

Mortgage

Other (please specify)

E. Was a registered security notice relating to the same security interest cancelled according to section 98(9) of the *Mines and Minerals Act*?

- Yes (if so, please attach order of the Court of Queen's Bench which grants leave for the submission of this security notice for registration)  
 No

F. **Affidavit**

I, Amy Nugent, of the City of Calgary, in the Province of Alberta, a barrister and solicitor at Stikeman Elliott LLP, agent for the secured party, make oath and say as follows:

1. I am the solicitor/agent for the secured party.
2. I believe that the secured party has a good and valid security interest on the Crown mineral rights agreements described in Part C, and I say that this security notice is not being filed for the purpose of delaying or embarrassing any person interested in or proposing to deal with it.

SWORN before me at the City of Calgary, in the Province of Alberta this 15<sup>th</sup> day of April, 2015

}

Amy Nugent  
Signature of Agent for Secured Party



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

Catherine Grygar  
~~Barrister & Solicitor~~

(Printed or stamped name for Commissioner of Oaths and if applicable, date on which appointment expires)

**Note: Registration of a security notice is subject to a fee of \$50.00 for each agreement against which the notice is registered.**

**SCHEDULE "A"**  
**CROWN MINERAL RIGHTS AGREEMENTS**

	Type	Number	Nature of Interest Held
1.	001 PETROLEUM AND NATURAL GAS LEASE	1507	Indirect Interest
2.	PNG LEASE (001)	9972A	Direct Interest
3.	PNG LEASE (001)	10578	Direct Interest
4.	PNG LEASE (001)	10612	Direct Interest
5.	001 PETROLEUM AND NATURAL GAS LEASE	13852	Indirect Interest
6.	PNG LEASE (001)	39579	Direct Interest
7.	PNG LEASE (001)	39617	Direct Interest
8.	001 PETROLEUM AND NATURAL GAS LEASE	106046	Indirect Interest
9.	PNG LEASE (001)	113408A	Direct Interest
10.	001 PETROLEUM AND NATURAL GAS LEASE	115792	Indirect Interest
11.	PNG LEASE (001)	118797	Direct Interest
12.	PNG LEASE (001)	118797A	Direct Interest
13.	PNG LEASE (001)	118852	Direct Interest
14.	PNG LEASE (001)	118853A	Direct Interest
15.	PNG LEASE (001)	0178040105	Direct Interest
16.	PNG LEASE (001)	017804A105	Direct Interest
17.	001 PETROLEUM AND NATURAL GAS LEASE	0178120003	Indirect Interest
18.	001 PETROLEUM AND NATURAL GAS LEASE	0181060001	Indirect Interest
19.	5 YR NORTHERN PNG LEASE (005)	0501070777	Direct Interest
20.	5 YR NORTHERN PNG LEASE (005)	0503051153	Direct Interest
21.	5 YR NORTHERN PNG LEASE (005)	0504060526	Indirect Interest
22.	5 YR NORTHERN PNG LEASE (005)	0504070858	Direct Interest
23.	5 YR NORTHERN PNG LEASE (005)	0504080251	Direct Interest
24.	5 YR NORTHERN PNG LEASE (005)	0504080252	Direct Interest
25.	5 YR NORTHERN PNG LEASE (005)	0506020322	Direct Interest
26.	5 YR NORTHERN PNG LEASE (005)	0506031145	Direct Interest
27.	5 YR NORTHERN PNG LEASE (005)	0506050251	Direct Interest
28.	5 YR NORTHERN PNG LEASE (005)	0506050255	Direct Interest

	Type	Number	Nature of Interest Held
29.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0507050649	Indirect Interest
30.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0509080199	Indirect Interest
31.	5 YR NORTHERN PNG LEASE (005)	0509080201	Indirect Interest
32.	5 YR NORTHERN PNG LEASE (005)	0509080480	Indirect Interest
33.	5 YR NORTHERN PNG LEASE (005)	0509080481	Indirect Interest
34.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510060135	Indirect Interest
35.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510060141	Indirect Interest
36.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510060318	Indirect Interest
37.	5 YR NORTHERN PNG LEASE (005)	0510070661	Direct Interest
38.	5 YR NORTHERN PNG LEASE (005)	0510070662	Direct Interest
39.	5 YR NORTHERN PNG LEASE (005)	0510080286	Direct Interest
40.	5 YR NORTHERN PNG LEASE (005)	0510080287	Direct Interest
41.	5 YR NORTHERN PNG LEASE (005)	0510080288	Direct Interest
42.	5 YR NORTHERN PNG LEASE (005)	0510080302	Direct Interest
43.	5 YR NORTHERN PNG LEASE (005)	0510080303	Direct Interest
44.	5 YR NORTHERN PNG LEASE (005)	0510080304	Direct Interest
45.	5 YR NORTHERN PNG LEASE (005)	0510080305	Direct Interest
46.	5 YR NORTHERN PNG LEASE (005)	0510080310	Direct Interest
47.	5 YR NORTHERN PNG LEASE (005)	0510080314	Direct Interest
48.	5 YR NORTHERN PNG LEASE (005)	0510080315	Direct Interest
49.	5 YR NORTHERN PNG LEASE (005)	0510080316	Direct Interest
50.	5 YR NORTHERN PNG LEASE (005)	0510080317	Direct Interest
51.	5 YR NORTHERN PNG LEASE (005)	0510080318	Direct Interest
52.	5 YR NORTHERN PNG LEASE (005)	0510080319	Direct Interest
53.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510100404	Indirect Interest
54.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510100405	Indirect Interest
55.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510100406	Indirect Interest
56.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0510100407	Indirect Interest
57.	5 YR NORTHERN PNG LEASE (005)	0510120124	Direct Interest
58.	5 YR NORTHERN PNG LEASE (005)	0510120126	Direct Interest

	Type	Number	Nature of Interest Held
59.	5 YR NORTHERN PNG LEASE (005)	0510120127	Direct Interest
60.	5 YR NORTHERN PNG LEASE (005)	0510120128	Direct Interest
61.	5 YR NORTHERN PNG LEASE (005)	0511010205	Direct Interest
62.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511040210	Indirect Interest
63.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511040213	Indirect Interest
64.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050150	Indirect Interest
65.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050378	Indirect Interest
66.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050380	Indirect Interest
67.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050381	Indirect Interest
68.	5 YR NORTHERN PNG LEASE (005)	0511050382	Direct Interest
69.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050383	Indirect Interest
70.	5 YR NORTHERN PNG LEASE (005)	0511050387	Direct Interest
71.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050388	Indirect Interest
72.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050389	Indirect Interest
73.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050390	Indirect Interest
74.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050391	Indirect Interest
75.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511050398	Indirect Interest
76.	5 YR NORTHERN PNG LEASE (005)	0511050404	Direct Interest
77.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511060776	Indirect Interest
78.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511070225	Indirect Interest
79.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511090455	Indirect Interest
80.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0511120475	Indirect Interest
81.	5 YR NORTHERN PNG LEASE (005)	0512010218	Direct Interest
82.	5 YR NORTHERN PNG LEASE (005)	0512010219	Direct Interest
83.	5 YR NORTHERN PNG LEASE (005)	0512010220	Direct Interest
84.	5 YR NORTHERN PNG LEASE (005)	0512010236	Direct Interest
85.	5 YR NORTHERN PNG LEASE (005)	0512010237	Direct Interest
86.	5 YR NORTHERN PNG LEASE (005)	0512010238	Direct Interest
87.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0512010239	Indirect Interest
88.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0512010240	Indirect Interest

	Type	Number	Nature of Interest Held
89.	5 YR NORTHERN PNG LEASE (005)	0512030575	Direct Interest
90.	5 YR NORTHERN PNG LEASE (005)	0512030577	Direct Interest
91.	5 YR NORTHERN PNG LEASE (005)	0512030578	Direct Interest
92.	5 YR NORTHERN PNG LEASE (005)	0512040176	Direct Interest
93.	5 YR NORTHERN PNG LEASE (005)	0512040177	Direct Interest
94.	5 YR NORTHERN PNG LEASE (005)	0512040178	Direct Interest
95.	5 YR NORTHERN PNG LEASE (005)	0512040181	Direct Interest
96.	5 YR NORTHERN PNG LEASE (005)	0512040182	Direct Interest
97.	5 YR NORTHERN PNG LEASE (005)	0512040183	Direct Interest
98.	5 YR NORTHERN PNG LEASE (005)	0512040184	Direct Interest
99.	5 YR NORTHERN PNG LEASE (005)	0512040185	Direct Interest
100.	5 YR NORTHERN PNG LEASE (005)	0512040186	Direct Interest
101.	5 YR NORTHERN PNG LEASE (005)	0512040188	Direct Interest
102.	5 YR NORTHERN PNG LEASE (005)	0512040189	Direct Interest
103.	5 YR NORTHERN PNG LEASE (005)	0512040190	Direct Interest
104.	5 YR NORTHERN PNG LEASE (005)	0512040191	Direct Interest
105.	5 YR NORTHERN PNG LEASE (005)	0512060063	Direct Interest
106.	5 YR NORTHERN PNG LEASE (005)	0512070140	Direct Interest
107.	5 YR NORTHERN PNG LEASE (005)	0512070418	Direct Interest
108.	5 YR NORTHERN PNG LEASE (005)	0513010150	Direct Interest
109.	5 YR NORTHERN PNG LEASE (005)	0513010151	Direct Interest
110.	5 YR NORTHERN PNG LEASE (005)	0514080233	Direct Interest
111.	5 YR NORTHERN PNG LEASE (005)	0577010139	Direct Interest
112.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0579040192	Indirect Interest
113.	5 YR NORTHERN PNG LEASE (005)	0580030187	Direct Interest
114.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0580030189	Indirect Interest
115.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0581010091	Indirect Interest
116.	5 YR NORTHERN PNG LEASE (005)	0581030229	Direct Interest
117.	5 YR NORTHERN PNG LEASE (005)	058103B229	Direct Interest
118.	5 YR NORTHERN PNG LEASE (005)	0582030105	Direct Interest

	Type	Number	Nature of Interest Held
119.	5 YR NORTHERN PNG LEASE (005)	0582040074	Direct Interest
120.	5 YR NORTHERN PNG LEASE (005)	0583110250	Direct Interest
121.	5 YR NORTHERN PNG LEASE (005)	0584010146	Direct Interest
122.	5 YR NORTHERN PNG LEASE (005)	0584110447	Direct Interest
123.	5 YR NORTHERN PNG LEASE (005)	0584120238	Direct Interest
124.	5 YR NORTHERN PNG LEASE (005)	0585020302	Direct Interest
125.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0585050111.	Indirect Interest
126.	5 YR NORTHERN PNG LEASE (005)	0585100590	Direct Interest
127.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0585120161	Indirect Interest
128.	5 YR NORTHERN PNG LEASE (005)	0586050469	Direct Interest
129.	5 YR NORTHERN PNG LEASE (005)	0587050153	Direct Interest
130.	5 YR NORTHERN PNG LEASE (005)	0587050154	Direct Interest
131.	5 YR NORTHERN PNG LEASE (005)	0587090454	Direct Interest
132.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0587100249	Indirect Interest
133.	5 YR NORTHERN PNG LEASE (005)	0588110511	Direct Interest
134.	5 YR NORTHERN PNG LEASE (005)	0590040472	Direct Interest
135.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0591110142	Indirect Interest
136.	5 YR NORTHERN PNG LEASE (005)	0592110147	Direct Interest
137.	5 YR NORTHERN PNG LEASE (005)	0594020682	Direct Interest
138.	5 YR NORTHERN PNG LEASE (005)	0594020689	Direct Interest
139.	5 YR NORTHERN PNG LEASE (005)	0595040404	Direct Interest
140.	5 YR NORTHERN PNG LEASE (005)	0595100524	Direct Interest
141.	5 YR NORTHERN PNG LEASE (005)	0596060511	Direct Interest
142.	5 YR NORTHERN PNG LEASE (005)	0597030864	Direct Interest
143.	5 YR NORTHERN PNG LEASE (005)	0597070327	Direct Interest
144.	5 YR NORTHERN PNG LEASE (005)	0597110187	Direct Interest
145.	5 YR NORTHERN PNG LEASE (005)	0598020272	Direct Interest
146.	005 5 YEAR NORTHERN PETROLEUM AND NATURAL GAS LEASE	0598120126	Indirect Interest
147.	4 YR NORTHERN PNG LIC. (054)	5409070247	Direct Interest
148.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5410080590	Indirect Interest

	Type	Number	Nature of Interest Held
149.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5410100511	Indirect Interest
150.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5410100512	Indirect Interest
151.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5410100514	Indirect Interest
152.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5410100515	Indirect Interest
153.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5410100521	Indirect Interest
154.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5411060376	Indirect Interest
155.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5411080190	Indirect Interest
156.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5411090544	Indirect Interest
157.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5411090547	Indirect Interest
158.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5411120514	Indirect Interest
159.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5411120517	Indirect Interest
160.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412010316	Indirect Interest
161.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412010532	Indirect Interest
162.	4 YR NORTHERN PNG LIC. (054)	5412020223	Direct Interest
163.	4 YR NORTHERN PNG LIC. (054)	5412030660	Direct Interest
164.	4 YR NORTHERN PNG LIC. (054)	5412060080	Direct Interest
165.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412110067	Indirect Interest
166.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412110068	Indirect Interest
167.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412110069	Indirect Interest
168.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412110070	Indirect Interest
169.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412110071	Indirect Interest
170.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5412110072	Indirect Interest
171.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5497080095	Indirect Interest
172.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5497080096	Indirect Interest
173.	054 4 YEAR NORTHERN PETROLEUM AND NATURAL GAS LICENCE	5497100156	Indirect Interest

## EXHIBIT "L"

This is Exhibit "L" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.

  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.



Aboriginal Affairs and  
Northern Development Canada

Affaires autochtones et  
Développement du Nord Canada

**Indian Oil and Gas Canada**      **Pétrole et gaz des Indiens du Canada**  
Suite 100, 9911 Chiila Boulevard, Tsuu T'ina, AB T2W 6H6  
Tel.: (403) 292-5625 Fax: (403) 292-5618

*Your file - Votre référence*

*Our file - Notre référence*

E-5855-15  
E-5855-2-09389  
PROTECTED B

April 29, 2015

**Simina Ionescu-Mocanu**  
BURNET, DUCKWORTH & PALMER LLP  
2400, 525 - 8<sup>th</sup> Avenue SW  
Calgary, AB T2P1G1

**Notice of Security Interest**  
**Oil and Gas Leases No. OL-6252, OL-6253**  
**Swampy Lake Indian Reserve No. 236**

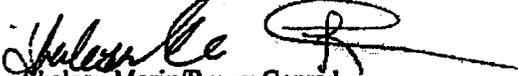
The attached Notice of Security Interest between Bank Of Nova Scotia and Virginia Hills Oil Corp. has been recorded as IOGC – 344070. Evidence of the Notice of Security Interest will appear on Agreement Searches until we receive a Notice of Discharge of Security Interest.

The Notice of Security Interest is not considered an encumbrance against the subject leases and has not been formally registered. Indian Oil and Gas Canada will not notify security holders of pending or completed administrative activities affecting the subject leases.

As requested, we also enclose agreement searches for the subject leases and acknowledge receipt of \$50.00 as payment of the search fees.

Should you have any questions, please contact the undersigned at (403) 292-5263.

**INDIAN OIL AND GAS CANADA**

  
Shalean Morin/Renay Conrad  
Jr. Subsurface Land Administrator

Enclosure

:/1344070  
:/1344071

**Canada**

INDIAN OIL AND GAS CANADA  
INDIAN AND NORTHERN AFFAIRS CANADA  
**NOTICE OF SECURITY INTEREST**

TAKE NOTICE that The Bank of Nova Scotia having an office at Scotia Plaza, 62nd Floor, 40 King Street West in the city of Toronto, in the Province of Ontario, has a security interest in and to all petroleum natural gas and related hydrocarbons, or any of these, in the interests set forth and described in Schedule "A" attached hereto and forming a part hereof, within, upon or under the lands contained in the Department of Indian Affairs and Northern Development subsurface leases, as more particularly set forth and described in Schedule "A" hereto, under and by virtue of the following security: a demand debenture effective as of April 15, 2015 granted by Virginia Hills Oil Corp. to The Bank of Nova Scotia.

DATED at Toronto, Ontario

THIS 15<sup>th</sup> day of April, 2015.

**THE BANK OF NOVA SCOTIA**

Per:   
Name: Rocco Fabiano  
Title: Vice President

Per:   
Name: Steve Bryce  
Title: Senior Manager

INDIAN OIL AND GAS CANADA

IOGC 344010

This is Schedule "A" to the Security Notice dated the 15<sup>th</sup> day of April, 2015. Interest in the following Department of Indian Affairs and Northern Development subsurface leases, as held by Virginia Hills Oil Corp., has been used as collateral for a security interest granted to The Bank of Nova Scotia.

	Lease No./ Reserve Name/ Effective Date	Current Interest % and Type	Rights/ Lands/No. Zones
1	OL- 6252  Reserve # 236 23-12-2005	48.75% WI	All oil and gas rights (excluding crude bitumen) Twp. 86 Rge.9W5M: Sec. 9 Slave Point Zone
2	OL-6253  Reserve #235 23-01-2006	100% WI	All oil and gas rights (excluding crude bitumen) Twp. 87 Rge.9 W5M: Sec. 3 Slave Point & Granite Wash Zones

INDIAN OIL AND GAS CANADA

TOGC 344070



Aboriginal Affairs and  
Northern Development Canada

Affaires autochtones et  
Développement du Nord Canada

**Indian Oil and Gas Canada**      **Pétrole et gaz des  
Indiens du Canada**  
Suite 100, 9911 Chiila Boulevard, Tsuu T'ina, AB T2W 6H6  
Tél.: (403) 292-5625 Fax: (403) 292-5618

*Your file - Votre référence*

*Our file - Notre référence*

**E-5855-2-09389**

**PRO A**

April 29, 2015

**Simina Ionescu-Mocanu**  
Burnet, Duckworth & Palmer LLP  
2400, 525 - 8<sup>th</sup> Avenue  
Calgary, AB T2P 1G1

**Agreement Searches**  
**Oil and Gas Lease Nos. OL-6252, OL-6253**  
**Loon Lake Indian Reserve No. 09389**

Further to your request dated April 17, 2015, enclosed are search reports for the subject agreements. We acknowledge receipt of your cheque in the amount of \$50.00 as payment of the search fees.

Please note the Pending Administrative Activities section refers to transactions currently being processed for the subject agreements which have not been completed yet.

Should you have any questions, please call the undersigned at (403) 292-5263.

INDIAN OIL AND GAS CANADA

  
Shalean Morin/ Renay Conrad  
Jr. Subsurface Land Administrator

/sm, rc

Enclosures

:344071

**Canada**



## Indian Oil and Gas Canada/Petrole et gaz des Indiens du Canada Agreement Search Report

AGREEMENT: OIL & GAS LEASE (IOGC) OL-6252 PREVIOUS AGREEMENT: OP-3252  
 STATUS: ACTIVE  
 RESERVE: SWAMPY LAKE #236 PROVINCE: AB  
 CLSR No:

Effective Date: 2005-12-23 Expiry Date: 2015-12-22  
 Term: 5 YEARS Annual Rental: \$1600.00

\*\*\*\*\* GRANTEE INFORMATION \*\*\*\*\*

<u>Grantee Name</u>	<u>Operator</u>	<u>Grantee %</u>
HARVEST OPERATIONS CORP.	Y	100.00000

\*\*\*\*\* LAND DESCRIPTION INFORMATION \*\*\*\*\*

Total No. Tracts: 1 Hectares: 320  
 Land Effective Date: 2011-04-01

Tract #: 1 Rights Granted: O+G\_EX\_C\_BIT

Formations:	<u>From Top/Base</u>	<u>From Zone</u>	<u>To Top/Base</u>
	TOP	SLAVE_POINT	BASE
Exceptions:	<u>From Top/Base</u>	<u>From Zone</u>	<u>To Top/Base</u>

<u>Twp/Rge/Mer</u>	<u>Description</u>	<u>Title Exceptions</u>
086-09-W5M	NE 4; E 9; NW 16; SW 21;	NONE

\*\*\*\*\* PENDING ADMINISTRATIVE ACTIVITIES \*\*\*\*\*

<u>Type</u>	<u>Effective</u>	<u>Comments</u>
ASSIGNMENT	2015-04-15	Pinecrest Energy Inc. assigned 100% interest to Virginia Hills Oil Corp. Resulting Interest: Virginia Hills Oil Corp. 100% interest

LIENS & ENCUMBRANCES: NIL

Although there are no encumbrances against this contract, the following documents relating to it are deposited in the Indian Lands Registry in Ottawa or at Indian Oil and Gas Canada in Calgary:

<u>Description</u>	<u>Debtor</u>	<u>Creditor</u>	<u>Effective</u>	<u>Registry #</u>
GENERAL	Virginia Hills Oil Corp.	Bank of Nova Scotia	2015-04-15	IOGC-344070

Comments

This search is provided on the condition and understanding that Her Majesty the Queen in Right of Canada is not responsible for any loss or damage arising from any errors or omissions in this search and any person making use of or relying in any way on this search hereby releases Her Majesty the Queen in Right of Canada from any liability for such loss or damage.

Date: April 29, 2015



**Indian Oil and Gas Canada/Petrole et gaz des Indiens du Canada  
Agreement Search Report**

AGREEMENT: OIL & GAS LEASE (IOGC) OL-6253 PREVIOUS AGREEMENT: OP-3230  
 STATUS: ACTIVE  
 RESERVE: LOON LAKE #235 PROVINCE: AB  
 CLSR No:

Effective Date: 2006-01-23 Expiry Date: 2016-01-22  
 Term: 5 YEARS Annual Rental: \$320.00

\*\*\*\*\* GRANTEE INFORMATION \*\*\*\*\*

<u>Grantee Name</u>	<u>Operator</u>	<u>Grantee %</u>
PINECREST ENERGY INC.	Y	100.00000

\*\*\*\*\* LAND DESCRIPTION INFORMATION \*\*\*\*\*

Total No. Tracts: 1 Hectares: 64  
 Land Effective Date: 2011-01-23

Tract #: 1 Rights Granted: O+G\_EX\_C\_BIT

Formations:	<u>From Top/Base</u>	<u>From Zone</u>	<u>To Top/Base</u>	<u>To Zone</u>
	TOP	SLAVE_POINT	BASE	SLAVE_POINT
	TOP	GRANITE_WASH	BASE	GRANITE_WASH

Exceptions: From Top/Base From Zone To Top/Base To Zone

<u>Twp/Rge/Mer</u>	<u>Description</u>	<u>Title Exceptions</u>
087-09-W5M	SE 33;	NONE

\*\*\*\*\* PENDING ADMINISTRATIVE ACTIVITIES \*\*\*\*\*

<u>Type</u>	<u>Effective</u>	<u>Comments</u>
ASSIGNMENT	2015-04-15	Pinecrest Energy Inc. is assigning 100% interest to Virginia Hills Oil Corp. Resulting Interest: Virginia Hills Oil Corp. 100% interest.

LIENS & ENCUMBRANCES: NIL

Although there are no encumbrances against this contract, the following documents relating to it are deposited in the Indian Lands Registry in Ottawa or at Indian Oil and Gas Canada in Calgary:

<u>Description</u>	<u>Debtor</u>	<u>Creditor</u>	<u>Effective</u>	<u>Registry #</u>
GENERAL	Virginia Hills Oil Corp.	Bank of Nova Scotia	2015-04-15	IOGC-344070

Comments

This search is provided on the condition and understanding that Her Majesty the Queen in Right of Canada is not responsible for any loss or damage arising from any errors or omissions in this search and any person making use of or relying in any way on this search hereby releases Her Majesty the Queen in Right of Canada from any liability for such loss or damage.

Date: April 29, 2015

## EXHIBIT "M"

This is Exhibit "M" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 10  
day of February, 2017.

  
A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law,  
Expires April 9, 2018.



LAND TITLE CERTIFICATE

S  
LINC                      SHORT LEGAL                      TITLE NUMBER  
0011 127 941              8421791;B;3                      152 127 444

LEGAL DESCRIPTION  
PLAN 8421791  
BLOCK B  
LOT 3  
EXCEPTING THEREOUT ALL MINES AND MINERALS  
AREA: 2.48 HECTARES (6.13 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE  
ATS REFERENCE: 5;9;87;13;N  
ATS REFERENCE: 5;9;87;13;S  
ATS REFERENCE: 5;9;87;23;N  
ATS REFERENCE: 5;9;87;23;S  
ATS REFERENCE: 5;9;87;24;N  
ATS REFERENCE: 5;9;87;24;S

MUNICIPALITY: MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17  
REFERENCE NUMBER: 122 206 678

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REGISTERED OWNER(S)				
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
152 127 444	29/04/2015	TRANSFER OF LAND	\$250,000	\$250,000

---

OWNERS  
VIRGINIA HILLS OIL CORP.  
OF 500, 255 - 5TH AVENUE SW  
CALGARY  
ALBERTA T0G 1E0

---

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
892 075 729	05/04/1989	CAVEAT RE : EASEMENT CAVEATOR - ALBERTA POWER LIMITED.

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( CONTINUED )

-----  
ENCUMBRANCES, LIENS & INTERESTS

PAGE 2  
# 152 127 444

REGISTRATION  
NUMBER      DATE (D/M/Y)      PARTICULARS  
-----

10035 105 STREET, EDMONTON  
ALBERTA  
AGENT - GEORGE D LEIGHTON

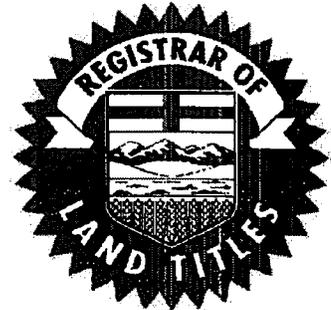
152 130 071      04/05/2015 MORTGAGE  
MORTGAGEE - THE BANK OF NOVA SCOTIA.  
ATTN: HEAD, AGENCY SERVICES  
GLOBAL LOAN SYNDICATIONS CANADA  
SCOTIA PLAZA, 62 FLR, 40 KING ST W  
TORONTO  
ONTARIO M5W2X6  
ORIGINAL PRINCIPAL AMOUNT: \$300,000,000

TOTAL INSTRUMENTS: 002

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN  
ACCURATE REPRODUCTION OF THE CERTIFICATE OF  
TITLE REPRESENTED HEREIN THIS 7 DAY OF  
FEBRUARY, 2017 AT 10:17 A.M.

ORDER NUMBER:    32258330

CUSTOMER FILE NUMBER:    9951209



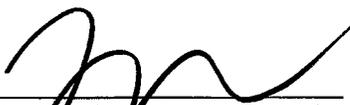
\*END OF CERTIFICATE\*

-----  
THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED  
FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER,  
SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM  
INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION,  
APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS  
PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING  
OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

## EXHIBIT "N"

This is Exhibit "N" referred to  
in the Affidavit of Rocco Fabiano,  
sworn before me this 16  
day of February, 2017.



---

A Commissioner for Oaths in and  
for the Province of Ontario

Jonathan Paul Vincent Wypych, a  
Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires April 9, 2018.



## **VIRGINIA HILLS OIL CORP. ANNOUNCES CREDIT FACILITY MATURITY**

**CALGARY, ALBERTA, January 31, 2017.** Virginia Hills Oil Corp. ("Virginia Hills" or the "Company") (TSXV: VHO) announces that its syndicated credit facility (the "Credit Facility") has matured and remains unpaid as of January 31, 2017. The failure to repay the approximate \$95.6 million principal amount owing under the Credit Facility on January 31, 2017 constitutes an event of default under the Credit Facility and entitles the lenders to, among other things, enforce their security and appoint a receiver to manage the affairs of the Company. An event of default under the Credit Facility is also an event of default under the credit facility of Dolomite Energy Inc., the Company's wholly-owned subsidiary. Virginia Hills has previously disclosed certain financial and non-financial covenant breaches under the Credit Facility in its year end 2015 and interim 2016 financial statements. Although the lenders have not enacted any of the remedies in relation to the current event of default and past covenant breaches, they have reserved their available rights and remedies in respect thereof. The Company is currently in negotiations with the lenders of the Credit Facility for an extension to allow Virginia Hills to continue its strategic review process, however, there is no certainty as to whether an extension will be obtained from the lenders and if so, on what terms.

As previously announced on August 26, 2016, Virginia Hills initiated a process to review strategic alternatives with a view of maximizing the value of the Company's significant Slave Point light oil resource base. The Company does not have any further update at this time as it continues to evaluate different alternatives in light of its current financial position. Any strategy, if taken, is subject to material uncertainty and could have a material impact on the Company's financial position and results of operations. Virginia Hills does not intend to disclose developments with respect to this process unless and until the board of directors of the Company has approved a definitive transaction or other course of action or otherwise deems that disclosure of developments is appropriate or otherwise required by law. There are no guarantees that the process will result in a transaction or, if a transaction is entered into, as to its terms or timing.

### **About Virginia Hills**

The Company is a Calgary based oil and gas company with operations in the Red Earth area of Alberta. Virginia Hills' shares are listed on the TSX Venture Exchange under the symbol "VHO".

### **Further Information**

For more information, please contact:

Colin Witwer, President and Chief Executive Officer  
Adeline Martin, Vice President, Finance and Chief Financial Officer

Telephone: (403) 817-2550

*Forward-Looking Statement Advisory*

*Certain information set forth in this press release, including information and statements which may contain words such as "could", "plans", "should", "anticipates", "expects", "believes", "will" and similar expressions and statements relating to matters that are not historical facts, contain forward-looking statements, including but not limited to statements regarding: actions the lenders may take under the Credit Facility, whether an extension will be granted in respect of the Credit Facility and the results of the strategic alternatives process. These statements involve known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. Undue reliance should not be placed on these forward looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.*

*Management has included forward-looking information in this press release in order to provide security holders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. These forward-looking statements are based on certain assumptions and are subject to a number of risks including the risk that the Company's lenders demand repayment of all indebtedness owing under the Credit Facility or seek to realize on its security, no extension will be granted in respect of the Credit Facility and that the Company is unable to successfully complete its strategic alternatives process. Investors are cautioned that such information, although considered reasonable by the Company, may prove to be incorrect.*

*Virginia Hills' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom.*

**NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICE PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.**