

**PETROSHALE (US) LAND LLC**  
as Borrower

- and -

**ALPINE CAPITAL CORP.**

- and -

**TODD SLAWSON TRUST**

as Lenders

**LOAN AGREEMENT**

Dated January 17, 2014

## **LOAN AGREEMENT**

**THIS LOAN AGREEMENT** is dated as of the 17th day of January, 2014 (the “**Closing Date**”) and made effective as of the Effective Date,

**BETWEEN:**

**PETROSHALE (US) LAND LLC**  
**as Borrower**

- and -

**ALPINE CAPITAL CORP.**

- and –

**TODD SLAWSON TRUST,**  
**as Lenders**

### **PREAMBLE:**

The Lenders have agreed to provide a senior secured credit facility to the Borrower on the terms and conditions and for the purposes set out in this Agreement. Alpine Capital Corp., as the Administrator, has agreed to assume responsibilities regarding the Administration of the Credit Facility on the part of the Lenders.

### **AGREEMENT:**

In consideration of the covenants and agreements between the Parties contained in this Agreement and for 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.** Capitalized words and phrases used in the Loan Documents, and in all notices and communications expressed to be made pursuant to this Agreement, will have the meanings set out in Schedule A.

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

Schedule	A:	Definitions
Schedule	B:	Subsidiaries and Ownership Interests
Schedule	C:	Drawdown Notice

**1.3 Headings.** Headings and tables of contents contained in any of the Loan Documents are inserted for convenience of reference only and will not affect the construction or interpretation of the Loan Documents.

- 1.4 **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.
- 1.5 **Number and Gender**. Wherever the context in any of the Loan Documents so requires, a term used herein importing the singular will also include the plural and vice versa and words in the Loan Documents importing gender include all genders.
- 1.6 **Statutes and Regulations**. Any reference in the Loan Documents to any statute or regulation or any section or paragraph or any other subdivision of any statute or regulation will, unless otherwise expressly stated, be a reference to that statute or regulation or the relevant section or paragraph or other subdivision thereof, as amended, substituted, replaced or re-enacted from time to time.
- 1.7 **Monetary References**. Whenever an amount of money is referred to in the Loan Documents, such amount will, unless otherwise expressly stated, be in U.S. Dollars.
- 1.8 **Time**. Time will be of the essence of the Loan Documents.
- 1.9 **Enurement**. The Loan Documents will be binding upon and will enure to the benefit of the Parties who are parties thereto and their respective successors and permitted assigns.
- 1.10 **Severability**. If the whole or any portion of the Loan 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 Loan Document in question in a fundamental way, 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 the Loan Document in question, will not be affected thereby and will be valid and enforceable to the fullest extent permitted by Applicable Law.
- 1.11 **Inconsistency**. To the extent that there is any inconsistency or ambiguity between the provisions of this Agreement and any other Loan Document, the provisions of this Agreement will govern to the extent necessary to eliminate such inconsistency or ambiguity.
- 1.12 **Accounting Terms and Principles**. Except as otherwise expressly provided, all accounting terms, principles and calculations applicable to the Credit Facility will be interpreted, applied and calculated, as the case may be, in accordance with IFRS. 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 agreed to by the Lenders in writing, such agreement not to be unreasonably withheld. It will be reasonable for the Lenders to withhold its consent if a proposed change could reasonably be expected to adversely affect the obligations of the Borrower, or the obligations or rights of the Lenders hereunder.

## **ARTICLE 2 CREDIT FACILITY**

- 2.1 Credit Facility.** Subject to the terms and conditions of this Agreement, the Credit Facility is hereby established by the Lenders in favour of the Borrower as a senior secured revolving credit facility which may be drawn by the Borrower in U.S. Dollars to a maximum of the Commitment Amount. The Credit Facility is a revolving facility and amounts may be borrowed, repaid and subsequently re-borrowed (subject to compliance with the terms and conditions of this Agreement).
- 2.2 Drawdowns.** The obligation of the Lenders to advance all or any portion of the Credit Facility hereunder to the Borrower pursuant to a Drawdown is subject to the conditions precedent set out in Section 6.2. In addition, each Drawdown hereunder shall be in minimum amounts of not less than U.S. \$100,000.
- 2.3 Repayment.** Subject to the terms of the Intercreditor Agreement the Aggregate Principal Amount will be repaid by the Borrower to the Lenders on or before January 31, 2015 (the “**Maturity Date**”) and all accrued and unpaid interest and fees on the Aggregate Principal Amount and all other amounts owing to the Lenders in respect of the Loan Documents shall also be paid on the Maturity Date.
- 2.4 Use of Proceeds.** Subject to the terms hereof, the Borrower must use the proceeds of the Credit Facility for the sole purposes of;
- (a) repaying the outstanding balance so as to extinguish the existing Todd Slawson Trust Promissory Note;
  - (b) for asset or other acquisitions as approved by the Lenders.
- 2.5 General Right to Prepay.** Upon two Business Days prior notice to the Lenders, the Borrower shall have the right to (a) prepay all or any part of the Aggregate Principal Amount, without premium, bonus or penalty, provided that all accrued and unpaid interest thereon is paid at the same time, and (b) cancel any unused portion of the Credit Facility in whole or in part at any time.
- 2.6 Mandatory Prepayment.** The Borrower shall pay to the Lenders as a mandatory repayment of the Aggregate Principal Amount, within 3 Business Days of the closing thereof, 100% of the net cash proceeds from (a) the sale of all or substantially all of the assets of the Borrower or any other Borrower Party and (b) any equity offering of the Borrower or any other Borrower Party, plus (c) one half of any proceeds received from the sale of assets that do not represent all or substantially all of the assets, in each case subject to the terms of the Intercreditor Agreement.

### **ARTICLE 3 INTEREST RATES AND FEES**

- 3.1 Interest Rates.** The Aggregate Principal Amount of all Drawdowns hereunder will bear interest at a rate of 12% per annum from and including the date each such Drawdown was made until the Aggregate Principal Amount has been unconditionally and irrevocably repaid in full.
- 3.2 Event of Default.** Effective immediately following the occurrence and continuance of an Event of Default, the interest rates then applicable to the Aggregate Principal Amount and all overdue interest pursuant to Section 3.1 will increase by 5% per annum and such increase will remain in effect for as long as the Event of Default subsists.
- 3.3 Payment of Interest.**
- (a) Accrual of Interest. Except as expressly stated otherwise herein, the Aggregate Principal Amount as well as overdue interest from time to time outstanding hereunder will bear interest, as well after as before maturity, default and judgment, at the applicable rates set forth in Section 3.1 or Section 3.2, as applicable.
  - (b) Calculation of Interest. Interest on the Aggregate Principal Amount will be calculated on the basis of a year of 365 days and will accrue from the applicable date of Drawdown and be calculated daily. For the purposes of all Applicable Laws which may hereafter regulate the calculation or computation of interest on borrowed funds, the annual rates of interest applicable to the Aggregate Principal Amount and other amounts owing hereunder 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 is payable and divided by 365.
  - (c) Payment of Interest. Interest on the Aggregate Principal Amount and other amounts owing hereunder is payable in arrears on the last Business Day of each month in respect of the current month and on the date of a principal prepayment (but only in respect of the portion of the Aggregate Principal Amount being prepaid on such date); and the Maturity Date.
- 3.4 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 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 Facility 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 Lenders will be *prima facie* evidence, for the purposes of such determination.

- 3.5 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 Credit Facility and are hereby expressly waived by the Borrower.
- 3.6 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 Credit Facility, and the rates of interest stipulated herein are intended to be nominal rates and not effective rates or yields.

#### **ARTICLE 4 SECURITY**

- 4.1 Security.** All present and future Obligations will be secured by a Lien granted by the Borrower Parties pursuant to the following (collectively together with all other or additional security required to be delivered by the Borrower Parties from time to time pursuant to this Article 4, the “**Security**”), all of which will be subordinated to the Senior Lender pursuant to the Intercreditor Agreement:
- (a) A general security agreement from each Borrower Party providing for a charge over all of its present and after-acquired personal property and a floating charge over all of its present and after-acquired real property, in form and substance satisfactory to the Lenders, acting reasonably (subject to being a second charge behind the Senior Lender pursuant to the terms of the Intercreditor Agreement);
  - (b) a pledge agreement granted by the Borrower regarding all shares of subsidiaries held by it in form and substance satisfactory to the Lenders, acting reasonably;
  - (c) a guarantee from each Subsidiary of the Borrower in favour of the Lenders, in form and substance satisfactory to the Lenders, acting reasonably; and
  - (d) such other security, undertakings and other agreements provided by the Borrower Parties to the Lenders from time to time in accordance with the Loan Documents or as may be reasonably requested by the Lenders after it has reviewed the security and related documents delivered by any one or more of the Borrower Parties to the Senior Lender.
- 4.2 Exclusivity of Remedies.** Nothing herein contained or in the Security now held or hereafter acquired by the Lenders nor any act or omission of the Lenders with respect to

any such Security, will in any way prejudice or affect the rights, remedies or powers of the Lenders with respect to any other security at any time held by the Lenders.

**4.3 Form of Security.** The Security will be in form and substance satisfactory to the Lenders, acting reasonably, and, subject to Section 4.6 and the Intercreditor Agreement, will be registered in all such offices and in all such jurisdictions as the Lenders may from time to time reasonably require or deem appropriate to protect or perfect the security interests created thereby. If the Lenders determine at any time and from time to time that the then existing Security has, for whatever reason, become unenforceable or no longer constitutes legally valid and binding obligations of the Borrower Parties or the Security or the registration or perfection of the Liens constituted by the Security does not fully provide the Lenders with the security interests and priority to which the Lenders are entitled or intended to have under the Loan Documents, the Borrower will at the request of the Lenders forthwith execute and deliver, or cause to be executed and delivered, to the Lenders, at the Borrower's expense, such amendments to the then existing Security or provide such new or replacement Security as the Lenders may reasonably request to ensure they hold the Security to which they were originally entitled or intended to have under the Loan Documents.

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

**4.5 Further Assurances.** The Borrower will, in connection with the provision of any amended, new or replacement Security referred to in Section 4.3 or in Section 4.6:

- (a) do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Lenders to give effect to any provision of the amended, new or replacement Security;
- (b) provide the Lenders with such information as is reasonably required by the Lenders to identify the property to be charged;

- (c) do all such things as are reasonably required to grant in favour of the Lenders the security interests to be granted pursuant to the amended, new or replacement Security;
- (d) provide the Lenders with all corporate, partnership or other organizational resolutions and other action required for the Borrower Parties to grant the amended, new or replacement Security;
- (e) provide the Lenders with an opinion of counsel to the Borrower confirming the due authorization, execution and delivery by the Borrower Parties of all such agreements and instruments comprising the amended, new or replacement Security in form and content satisfactory to the Lenders, acting reasonably; and
- (f) assist the Lenders in the registration or recording of such agreements and instruments in such public registry offices in all such jurisdictions as the Lenders, acting reasonably, deems necessary to give full force and effect to the amended, new or replacement Security.

**4.6 Undertaking to Grant Fixed Charge Security.** If any Senior Lender or any other secured creditor of any Borrower Party has registered a fixed Lien on all or any part of the Borrower's property, the Borrower, at the request of the Lenders, will forthwith grant or cause to be granted to the Lenders, a fixed Lien (subject only to the Intercreditor Agreement and Permitted Liens which under Applicable Law rank in priority thereto) in any Borrower Party's property as the Lenders, in their sole discretion, determine as security for all then present and future obligations of the Borrower Parties to the Lenders under the Credit Facility and the Loan Documents. In this connection, the Borrower will:

- (a) provide the Lenders with such information as is reasonably required by the Lenders to identify the property to be charged pursuant to this Section 4.6;
- (b) do all such things as are reasonably required to grant, in favour of the Lenders, a fixed Lien (subject only to the Intercreditor Agreement and Permitted Liens which under Applicable Law rank in priority thereto) in respect of such property to be so charged pursuant to this Section 4.6;
- (c) provide the Lenders with all corporate or partnership resolutions and other action, as reasonably required, for the Borrower Parties to grant the fixed Lien (subject only to the Intercreditor Agreement and Permitted Liens which under Applicable Law rank in priority thereto) in the property identified by the Lenders to be so charged;
- (d) provide the Lenders with such security instruments and other documents which the Lenders, acting reasonably, deems are necessary to give full force and effect to the provisions of this Section 4.6;



- (e) assist the Lenders in the registration or recording of such agreements and instruments in such public registry offices in the United States of America or any province thereof as the Lenders, acting reasonably, deem necessary to give full force and effect to the provisions of this Section 4.6; and
- (f) pay all reasonable costs and expenses incurred by the Lenders in connection with the preparation, execution and registration of all agreements, documents and instruments, including any amendments to the Security, made in connection with this Section 4.6.

**4.7 Discharge of Security.** The Lenders will discharge the Security at the Borrower's expense forthwith after all of the Obligations have been unconditionally and irrevocably paid or satisfied in full, provided no Claim has at such time been made or threatened by a third-party against the Lenders with respect to the Credit Facility and for which there does not exist an indemnity from the Borrower Parties in its favour, adequate in the opinion of the Lenders.

**4.8 Most Favoured Nations.** If any Borrower Party at any time provides any Senior Lender any security that secures Senior Indebtedness which is not specifically included in this Agreement and the other Loan Documents, then (a) this Agreement shall be deemed to have been amended automatically to have the benefit of such other present or future security, (b) the definition of Security shall automatically be amended to include such other security provided by the applicable Borrower Party to any Senior Lender, and (c) the Borrower shall provided, or shall cause the applicable Borrower Party to provide, such new Security to the Lenders and shall, promptly upon request by the Lenders, do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Lenders to give effect to such new Security.

## **ARTICLE 5 CONDITIONS PRECEDENT**

**5.1 Conditions Precedent to Closing.** The obligations of the Parties hereunder and this Agreement, subject to the terms hereof, will only become effective following satisfaction of the following conditions precedent, unless waived in writing by the Lenders:

- (a) receipt by the Lenders of:
  - (i) a duly executed copy of this Agreement;
  - (ii) a duly executed copy of the Intercreditor Agreement, if any;
  - (iii) a duly executed copy of the Security from each applicable Borrower Party;
  - (iv) a certified copy of the Senior Loan Documents;

- (v) a duly executed Closing Certificate from each Borrower Party;
  - (vi) a copy of the no interest letter addressed to the Borrower Party from the secured creditors of the Vendor, if any, in respect of assets acquired;
  - (vii) subject to the scope and limitation set forth in Section 12.8, the payment by the Borrower to the Lenders of all fees and expenses that the Lenders have requested reimbursement for on or before the Closing Date (including without limitation an upfront fee of U.S. \$500,000 which may be added to the amount of the initial draw rather than settled with cash);
- (b) the Lenders are satisfied in their sole discretion that no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any domestic or foreign court, tribunal or Authorized Authority by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of the Lenders, acting reasonably, would have a Material Adverse Effect;
  - (c) releases and undertakings to discharge, in form and substance satisfactory to the Lenders, will have been delivered from the holders of Liens, other than Permitted Liens, over each Borrower Party, if any;
  - (d) each of the representations and warranties set out in Article 7 will be true and correct;
  - (e) no Default or Event of Default will have occurred and be continuing;
  - (f) there will have been no Material Adverse Effect; and
  - (g) the Borrower has obtained all necessary consents, waivers, permissions and approvals required to be obtained by it or by any other Borrower party in connection with the execution, delivery or performance by the Borrower or any Borrower Party of their obligations hereunder or under any other Loan Document, as applicable, each on terms and conditions satisfactory to the Borrower, acting reasonably, including, without limitation, the approval of the Borrower's independent committed of directors.

**5.2 Conditions Precedent to Drawdown.** The obligation of the Lenders to provide any Drawdown hereunder will be subject to the satisfaction of the following conditions precedent, unless waived in writing by the Lenders:

- (a) receipt by the Administrator of a duly executed Drawdown Notice from or on behalf of the Borrower at least 2 Business Days prior to the requested Drawdown Date;

- (b) to the extent the Drawdown is being used to purchase assets, a copy of the no interest letter addressed to the Borrower Party from the secured creditors of the Vendor, if any;
- (c) the representations and warranties set out in Article 6 will be true and correct as of the Drawdown Date; and
- (d) no Default or Event of Default will have occurred and be continuing or will occur as a result of the applicable Drawdown hereunder.

## **ARTICLE 6**

### **REPRESENTATIONS AND WARRANTIES OF THE BORROWER**

**6.1 Representations and Warranties.** The Borrower hereby represents and warrants to the Lenders on the Effective Date, the Closing Date and on each Drawdown Date:

- (a) Existence, Good Standing. Each Borrower Party is a corporation or partnership, as applicable, formed, validly existing and in good standing under the laws of the jurisdiction of its formation and has all necessary organizational power, authority and capacity to conduct its business as presently conducted by it.
- (b) Residence. Each Borrower Party is a resident of the United States of America. The Borrower Party agrees to remain a resident of United States of America until such time the Credit Facility and any other amounts owing thereunder are fully repaid or such change in residential status is approved by the Lenders prior to such change.
- (c) Authority. Each Borrower Party has full power, legal right, authority and capacity to enter into the Loan Documents to which it is a party and to do all such acts and things as are required by such Loan Documents to be done, observed or performed by it, in accordance with the terms thereof and the execution, delivery and performance by each Borrower Party of the Loan Documents and to which it is a party and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate or other action on its part.
- (d) Enforceability. The Loan Documents are legal, valid and binding obligations of the Borrower Party which is party thereto, enforceable against it, in accordance with the terms thereof, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).
- (e) No Contravention. The authorization, execution, delivery or performance of the Loan Documents to which it is a party and by each Borrower Party and the consummation of the transactions contemplated thereby will not (i) contravene

such Borrower Party's constating documents, by-laws or resolutions of its directors, shareholders or partners; (ii) violate or conflict with any judgment, decree, order or award to which a Borrower Party or its property is subject; (iii) conflict with or result in the breach of any Applicable Laws or Authorizations in respect of a Borrower Party or its property; (iv) conflict with or result in the breach of, or constitute a default under, any agreement, indenture, mortgage, deed of trust, lease or other agreement binding on or affecting any Borrower Party or any of their respective properties unless such breach would not reasonably be expected to have a Material Adverse Effect; or (v) result in or require the creation or imposition of any Lien (other than a Permitted Lien) upon or with respect to the property of a Borrower Party.

- (f) Absence of Litigation. There are no judgments, investigations, actions, litigation or administrative proceedings, existing, pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower Parties or their property, at law, in equity or before any arbitrator or before or by any court of competent jurisdiction or Authorized Authority having jurisdiction which (i) would have a material likelihood of success and that if successful would reasonably be expected to have a Material Adverse Effect, or (ii) purports to materially and adversely affect the legality, validity or enforceability of any Loan Document or the consummation of the transactions contemplated thereby.
- (g) Authorizations. All material Authorizations required for the execution and delivery by the Borrower Parties of each of the Loan Documents and any other agreement which a Borrower Party has entered into in connection with the transactions contemplated thereby and the performance of its obligations thereunder have been obtained and are in full force and effect.
- (h) Notice of Breach. No Borrower Party has received notice, or is otherwise aware, that it is in breach of:
  - (i) any order, approval, mandatory requirement or directive of any Authorized Authority having jurisdiction relating to the Borrower or its property;
  - (ii) any Senior Loan Document;
  - (iii) any other agreement to which a Borrower Party is a party or by which its properties are bound; or
  - (iv) any Applicable Law relating to it or its property,

where such breach, either individually or in combination with other breaches, would reasonably be expected to have a Material Adverse Effect.

- (i) No Default. No event has occurred and is continuing which constitutes a Default or an Event of Default.
- (j) Compliance. Each Borrower Party is in compliance in all material respects with all Applicable Laws and Authorizations applicable to it.
- (k) Title to Property. Each Borrower Party has good and valid title to all of its properties, subject only to Permitted Liens, and each Borrower Party is entitled to charge its interests in such properties in favour of the Lenders as provided in the Loan Documents without the need to obtain the consent of or release from any other Person other than the Senior Lender.
- (l) Environmental Laws. Each Borrower Party has obtained all material Authorizations which are required in respect of its property under Environmental Laws except for those which are not then required by Environmental Laws. Each Borrower Party is in full compliance in all material respects with Environmental Laws and with the terms and conditions of all Authorizations related to its property.
- (m) Environmental Condition of Property. The property of the Borrower Parties is not the subject of any outstanding claim, charge or order from an Authorized Authority alleging violation of any Environmental Laws or, if subject to any such claim, charge or order, the applicable Borrower Party is taking or causing to be taken, all such remedial, corrective or other action required under the claim, charge or order, and the anticipated costs associated with such actions are not estimated to exceed **<Threshold Redacted>** (in aggregate) or is diligently and in good faith contesting the validity thereof.
- (n) Information. All budgets, work plans, operating and maintenance plans, engineering data, production and cash flow projections, other reports and other information provided by or on behalf of the Borrower Parties to the Lenders and their advisors, are true, accurate and complete in all material respects and the Borrower has no knowledge of an omission of any material fact which renders such information incomplete or misleading in any material way.
- (o) Financial Condition. The most recent consolidated financial statements of the Borrower delivered to the Lenders hereunder were prepared in accordance with IFRS and such consolidated financial statements present fairly, in all material respects, the Borrower's consolidated financial position as at the date thereof and since that date there has been no material adverse change thereto.
- (p) Material Adverse Effect. Since the date of the most recently delivered financial statements hereunder, there has been no event or circumstance in existence which has caused, or would reasonably be expected to cause, a Material Adverse Effect.

- (q) Debt. No Borrower Party has obtained credit or incurred, assumed or otherwise become liable (directly or indirectly), by guarantee or otherwise, for the payment of any indebtedness for borrowed money (including, without limitation, Capital Leases) other than as specifically permitted hereunder.
- (r) Liens. No Borrower Party has created, granted or permitted to exist any Liens on its property, other than Permitted Liens.
- (s) Insurance. The Borrower Parties have in full force and effect such policies of insurance in such amounts issued by such insurers of recognized standing covering their property in accordance with prevailing industry practice and standards.
- (t) Taxes. The Borrower Parties, and to the best of the knowledge of management of the Borrower Parties, the predecessors entities of the Borrower Parties, have filed all Tax returns which are required to be filed and have paid all Taxes which are due and payable. All of the remittances required to be made by the Borrower Parties to the applicable federal, provincial, municipal or state Authorized Authorities have been made, are currently up to date and there are no outstanding arrears. No Borrower Party has received any assessments nor is it aware of any disputes with any taxing authority.
- (u) Fiscal Year. The fiscal year of the Borrower currently ends on June 30 and any and all appropriate requests will be made to change the fiscal year to December 31.
- (v) Subsidiaries. The Borrower has no Subsidiaries other than as set out in Schedule B attached hereto and the ownership interest of the Borrower in such Subsidiaries, whether direct or indirect, and the jurisdiction of formation of such Subsidiaries is as set out in Schedule B hereto.

**6.2** **Acknowledgement**. The Borrower acknowledges that the Lenders are relying upon the representations and warranties in this Agreement and the other Loan Documents in making the Credit Facility available to the Borrower and that the representations and warranties contained in Section 6.1, will be deemed to be restated in every respect effective on the date of each Drawdown.

**6.3** **Survival and Inclusion**. The representations and warranties herein will survive the cancellation of the Credit Facility and until all Obligations having been unconditionally and irrevocably paid or repaid in full. All statements, representations and warranties by any Borrower Party contained in any Loan Document will be deemed to constitute statements, representations and warranties made by the Borrower to the Lenders under this Agreement.

## **ARTICLE 7**

### **COVENANTS OF THE BORROWER**

**7.1 Affirmative Covenants.** While any Obligations are outstanding or while all or any part of the Credit Facility remains available to the Borrower, the Borrower covenants in favour of the Lenders that:

- (a) Punctual Payment. The Borrower will pay when due all principal, interest and other Obligations due and payable in connection with the Credit Facility and the Loan Documents.
- (b) Maintain Existence. Except as permitted pursuant to Section 7.2(h), the Borrower will, and will cause each other Borrower Party to, maintain its legal existence as constituted on the Closing Date and will acquire and maintain all Authorizations necessary to develop, construct, complete, own and operate its property.
- (c) Comply with Law and Authorizations. The Borrower will, and will cause each other Borrower Party to, comply with all Applicable Laws (including Environmental Laws) and all Authorizations required in connection with the maintenance and operation of its property except where a failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (d) Maintenance and Operation. The Borrower will, and will cause each other Borrower Party to, maintain its property, or cause it to be maintained and operated in accordance with Applicable Laws and good and prevailing industry practices except where a failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (e) Payment of Taxes, Withholdings, etc. The Borrower will, and will cause each other Borrower Party to, pay, all rents, Taxes, rates, levies or assessments, ordinary or extraordinary, governmental fees or dues and will make and remit all withholdings, lawfully levied, assessed or imposed upon it or any of its property, as and when the same become due and payable except where a failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (f) Inspection of Property; Books and Records; Discussions. The Borrower will, and will cause each other Borrower Party to, maintain books and records of account in accordance with IFRS and all Applicable Laws in respect of all its material dealings and transactions, will permit representatives of the Lenders to visit and inspect any of its property and to examine and make abstracts from any of its books and records at any time during regular reasonable business hours and upon reasonable request, and to discuss its business, property, condition (financial or otherwise) and prospects with its senior officers and (in the presence of such of its representatives, if any, as it may designate) with its independent chartered professional accountants.

- (g) Maintain Title. The Borrower will, and will cause each other Borrower Party to, maintain and defend its title to all of its material property, and take such actions as may be reasonably required by the Lenders to keep its property free and clear of any Liens, other than Permitted Liens.
- (h) Comply with Covenants. The Borrower will, and will cause each other Borrower Party to, comply with all of its obligations and covenants under the Loan Documents except where a failure to do so would not reasonably be expected to have a Material Adverse Effect.
- (i) Insurance. The Borrower will, and will cause each other Borrower Party to, maintain adequate insurance in respect of its material property and in accordance with prevailing industry standards and will provide the Lenders with copies of all insurance policies relating thereto if so requested. If a Senior Lender is at any time and from time to time named as a loss payee or an additional insured on any of any Borrower Party's insurance policies, then the Borrower will immediately thereafter cause the Lenders to be named as a second loss payee and additional insured thereon.
- (j) Environmental Covenants. Without limiting the generality of Section 7.1(c), the Borrower will, and will cause each other Borrower Party to, take all reasonable steps to ensure that any and all employees, contractors, subcontractors, agents, representatives, Affiliates, consultants, invitees, occupants and any and all Persons under the control of, invited by, or representing the Borrower Parties, (i) comply with all applicable Environmental Laws in connection with the construction, occupancy, use and operation of its property, and (ii) use, employ, process, emit, generate, store, handle, transport, dispose of and/or arrange for the disposal of any and all Contaminants in, on or, directly or indirectly, related to or in connection with its property or any part thereof in a manner consistent with prudent industry practice and in compliance in all material respects with all applicable Environmental Laws and in a manner which does not pose a significant risk to human health, safety (including occupational health and safety) or the Environment, in each case, except where a failure to do so would not reasonably be expected to have a Material Adverse Effect. The Borrower's obligations hereunder with respect to Contaminants and Environmental Laws are intended to bind each Borrower Party with respect to matters and conditions on, in, under, beneath, from, with respect to, affecting, related to, in connection with, or involving its property or any part thereof.
- (k) Compliance with Senior Loan Documents. The Borrower will, and will cause each other Borrower Party to, comply with each of the affirmative and negative covenants set forth in the Senior Loan Documents.
- (l) Ranking. The Borrower shall ensure that the indebtedness and obligations of the Borrower Parties under the Loan Documents shall be senior to any other Debt (or



equity) of the Borrower Parties, other than the Senior Indebtedness, which shall rank senior to such indebtedness and obligations in accordance with the terms of the Intercreditor Agreement, provided that unless any such senior or *pari passu* ranking Debt is required to be repaid, funds are first used to repay the Obligations in full.

- (m) Further Assurances. The Borrower will, and will cause each other Borrower Party to, from time to time forthwith at the Lender's reasonable 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, assignments, acts, matters and things which may be reasonably required by the Lenders and as are consistent with the intention of the Parties as evidenced herein, with respect to the Credit Facility, or any part thereof and to give effect to any provision of the Loan Documents.

**7.2 Negative Covenants.** While any Obligations are outstanding or while all or any part of the Credit Facility remains available to the Borrower, the Borrower covenants in favour of the Lenders that, without the prior written consent of the Lenders:

- (a) Debt. The Borrower will not, and will cause each other Borrower Party not to, obtain credit or incur, assume or otherwise become liable (directly or indirectly), by guarantee or otherwise, for the payment of any indebtedness for borrowed money (including without limitation, Capital Leases) except for: (i) the Obligations, (ii) the Senior Indebtedness, (iii) transactions with the Lenders and their affiliates, (iv) intercorporate Debt between any of the Borrower Parties, (v) other Debt not to exceed, in the aggregate, **<Threshold Redacted>**.
- (b) Liens. The Borrower will not, and will cause each other Borrower Party not to, create or permit the existence of any Liens over its property, other than Permitted Liens.
- (c) Distributions. The Borrower will not, and will cause each other Borrower Party not to, make or settle any Distributions of funds or property to any Person (other than a Distribution from one Borrower Party to another Borrower Party or a Distribution in connection with the Loan Documents).
- (d) Amendments to Certain Documents. Except as otherwise specifically permitted herein, the Borrower will not, and will cause each other Borrower Party not to, amend, terminate, forbear in respect of, waive any provision of, or provide a consent pursuant to (i) the constating documents and bylaws or other documents of formation, as applicable, of any Borrower Party, or (ii) any provision of or the Senior Loan Documents, unless such amendment, termination, forbearance, waiver or consent is wholly of an administrative nature or could not otherwise be reasonably regarded as having a Material Adverse Effect. The Borrower will provide to the Lenders copies of all amendments of, and waivers or consents

related to, the Senior Loan Documents forthwith upon the execution and delivery thereof. Notwithstanding the foregoing, the Borrower will not, and will cause the other Borrower Parties not to, make any amendments to the representations, covenants and defaults in the Senior Loan Documents if the effect thereof would be that the amended representations, covenants or defaults, as the case may be, would be more onerous and/or more extensive than those that exist prior to such amendment.

- (e) Change in Business. The Borrower will not, and will cause the other Borrower Parties not to, make any material change in its oil and gas business as conducted as of the Closing Date.
- (f) Financial Assistance or Capital Investments. The Borrower will not, and will cause the other Borrower Parties not to, at any time provide any financial assistance to, or invest in the capital stock of, any other Person (other than another Borrower Party).
- (g) Dispositions. Subject to Section 2.6, the Borrower will not, and will cause the other Borrower Parties not to, sell, lease, transfer, assign or otherwise dispose of its property other than (i) dispositions of obsolete assets, (ii) sales of production or dispositions made in the ordinary course of business, or (iii) dispositions from one Borrower Party to another.
- (h) Corporate Reorganizations. The Borrower will not, and will cause the other Borrower Parties not to, merge, reorganize, consolidate, amalgamate, wind-up, dissolve or otherwise permit any transaction, including a plan of arrangement or a reverse take-over, respecting the Borrower or any other Borrower Party whereby all or substantially all of their respective properties would become the property of another Person, other than another Borrower Party, as applicable.
- (i) No Subsidiaries. The Borrower will not form any Subsidiaries, unless within 5 Business Days of the formation thereof such Subsidiary has provided a guarantee and a general security agreement if required under Section 4.1.

**7.3 Reporting Requirements.** While any Obligations are outstanding or while all or any part of any Credit Facility remains available to the Borrower, the Borrower will provide, or will cause to be provided, to the Lenders the following:

- (a) Financial Statements: (i) unaudited quarterly consolidated financial statements of the Borrower in respect of each of the first three fiscal quarters of the Borrower, and (ii) annual audited consolidated financial statements and a summary of operations of the Borrower within the time periods the Borrower is required to deliver its financial statements to public shareholders;

- (b) Insurance Policies: upon the request of the Lenders, all policies of insurance related to the Borrower Parties and their property, including all renewal certificates, in respect thereof;
- (c) Notice of Default: forthwith upon the occurrence thereof, notice of any Default, Event of Default, or any Senior Facility Default, and in connection therewith provide a detailed statement signed by a senior officer of the Borrower of the steps required and of the steps being taken to cure the effect of or to prevent such Default, Event of Default or Senior Facility Default;
- (d) Material Adverse Effect: promptly upon the occurrence thereof, written notice of the occurrence of any Material Adverse Effect;
- (e) Senior Lender Reporting and Amendments. The Borrower shall provide the Lenders with a copy of:
  - (i) any notice, report, certificate, document or other information that it or any Borrower Party may provide to the Senior Lender or any agent thereof from time to time in respect of a Borrower Party, promptly, but in any event within 5 days, after delivery to the Senior Lender of such notice, report, certificate, document or other information; and
  - (ii) any alteration, amendment, modification, supplement, restatement, waiver or consent to the Senior Lender Documents, promptly, but in any event within 5 days, after the entering into of such alteration, amendment, modification, supplement, restatement, waiver or consent; and
- (f) Other Information: any other reports, data, certificates or other information relating to the Borrower Parties or their property as the Lenders may reasonably request that the Borrower provide.

## **ARTICLE 8 INDEMNITY**

**8.1 Environmental Indemnity.** The Borrower does hereby indemnify and hold harmless the Lenders and each of its Affiliates, shareholders, directors, officers, employees, advisors, consultants, counsel and agents (including their respective Affiliates) (collectively the “**Indemnified Parties**”) for any Claims whatsoever (including any reasonable costs or expenses of defending or denying the same and including the reasonable costs or expenses of preparing any environmental assessment report or other such reports) suffered or incurred by an Indemnified Party, arising out of, or in respect of:

- (a) the Release of any Contaminant into the Environment by a Borrower Party, its Affiliates or those for whom a Borrower Party or its Affiliates are responsible; and

- (b) the remedial action, if any, required to be taken by the Lenders in respect of any such Release, any failure to properly abandon, reclaim or restore a facility, work site or property,

except to the extent that any such Claim of an Indemnified Party results from the gross negligence or wilful misconduct of such Indemnified Party. This indemnity will survive repayment or cancellation of the Credit Facility and this Agreement, 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 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 Applicable Law, based on the advice of such Indemnified Party's counsel, to honour a Claim or any part thereof. The Indemnified Parties will be entitled, but not obligated, to negotiate any settlement of a Claim, and any such settlement will be binding on the Parties. Notwithstanding the foregoing, the Borrower, with the prior consent of the Lenders, may assume carriage at any time of any proceedings giving rise to a Claim, including choice of counsel. For sake of clarity, the indemnity provided herein to any director of a Lender is specific to any liability such Indemnified Party may face pursuant to his or her position as a director of a Lender, and not to his or her position, if one exists, as a director of the Borrower.

**8.2 General Indemnity.** In addition to any liability of the Borrower to the Lenders under any other provisions of the Loan Documents, the Borrower does hereby indemnify and hold harmless the Indemnified Parties, for any Claims whatsoever suffered or incurred by an Indemnified Party, arising out of, or in respect of:

- (a) any misstatement or other inaccuracy of any representation or warranty made or deemed to be made by a Borrower Party in the Loan Documents;
- (b) any breach of a covenant by a Borrower Party in the Loan Documents;
- (c) the provisions of the Credit Facility and the use of the proceeds of the Credit Facility;
- (d) failure to make any payment, repayment or prepayment on the date required hereunder or specified by it in any notice given hereunder;
- (e) a Borrower Party's failure to pay any other amount, including any interest or fees, due hereunder on the due date thereof, after the expiration of any applicable grace or notice periods;
- (f) a Borrower Party's failure to give any notice required to be given by it to the Lenders under any Loan Document;

- (g) the failure of a Borrower Party to make any other payment due under the Loan Documents; or
- (h) the occurrence of any Default or Event of Default,

except to the extent that any such Claim of an Indemnified Party results from the gross negligence or wilful misconduct of such Indemnified Party. This indemnity will survive repayment or cancellation of the Credit Facility and this Agreement, 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 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 Applicable Law, based on the advice of such Indemnified Party's counsel, to honour a Claim or any part thereof. The Borrower shall, with the prior consent of the Lenders, not to be unreasonably withheld, assume carriage at any time of any proceedings giving rise to a Claim, including choice of counsel. For sake of clarity, the indemnity provided herein to any director of a Lender is specific to any liability such Indemnified Party may face pursuant to his or her position as a director of a Lender, and not to his or her position, if one exists, as a director of the Borrower.

- 8.3 Waiver of Consequential Damages, Etc.** To the fullest extent permitted by Applicable Law, the Borrower will not, and will cause the other Borrower Parties not to, assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, or the use of the proceeds hereof. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

## **ARTICLE 9 EVENTS OF DEFAULT**

- 9.1 Events of Default.** While any Obligations are outstanding or while all or any part of any Credit Facility remains available to the Borrower, each of the following events will constitute an Event of Default:

- (a) Payment Defaults.
  - (i) If the Borrower fails to pay any principal amount when due and payable hereunder; or
  - (ii) If the Borrower fails to pay any interest (including, if applicable, any default interest) or any fee or other amount due on the Credit Facility

when due and payable in accordance with the terms hereof, and such default is not remedied within 3 Business Days,

unless, in either such case, the Lenders in their sole discretion agree to extend the date on which any such payment is due.

- (b) Incorrect Representations. Any representation or warranty made by a Borrower Party under any Loan Document proves to have been incorrect in any material respect when so made or deemed to have been repeated as herein provided.
- (c) Breach of Covenants. Except for an Event of Default set out elsewhere in this Section 9.1, if a Borrower Party defaults in the performance or observance of any covenant, obligation or condition to be observed or performed by it pursuant to any of the Loan Documents and such default continues for a period of 10 Business Days after notice is given to the Borrower by the Lenders or after a Borrower Party becomes aware thereof.
- (d) Cross Default. The occurrence of (i) a Senior Facility Default or (ii) the occurrence of a default, under any term or provision of any agreement between a Borrower Party and any lender (other than the Senior Credit Agreement).
- (e) Invalidity or Unenforceability. If any Loan Document is found to be invalid or unenforceable and such Loan Document (other than this Agreement) is not replaced or otherwise rectified in a manner acceptable to the Lenders (acting reasonably and in good faith) within 10 Business Days after notice is given to the Borrower by the Lenders.
- (f) Security. If any of the Security shall at any time after its respective execution and delivery and for any reason (other than with the consent of the Lenders) if such Security ceases to constitute a valid and subsisting charge or valid and perfected security interest in and to the assets covered thereby without alternative security satisfactory to the being furnished in replacement thereof by the applicable Borrower Party within 10 Business Days of demand therefor.
- (g) Insolvency. The occurrence of an Insolvency Event in respect of a Borrower Party; provided that if such Insolvency Event is initiated by any Person other than a Borrower Party or any Affiliate thereof without the consent of or acquiescence by such Borrower Party that Insolvency Event will not be an Event of Default if it is dismissed or stayed within 30 days of occurrence of such event.
- (h) Cessation of Business; Expropriation. A Borrower Party ceases or proposes to cease carrying on business, or a substantial part thereof, except as otherwise expressly permitted hereby, or if there is an Expropriation of all or any material part of a Borrower Party's property.
- (i) Material Adverse Effect. If a Material Adverse Effect occurs.

(j) Change of Control. If a Change of Control occurs.

(k) Merger. If an event described in Section 7.2(h) occurs.

**9.2 Remedies.** Subject to the terms of and limitations set forth in the Intercreditor Agreement, upon the occurrence of an Event of Default, the obligation of the Lenders to make any advances, if any, or to grant any further credits to the Borrower hereunder will terminate, the interest rates on amounts owing hereunder will automatically increase as set forth in Article 3 and all Obligations will immediately and automatically without any further notice be due and payable, whereupon the Borrower will be obligated without any further grace period to forthwith pay such amounts, and the Lenders may exercise any and all rights, remedies, powers and privileges afforded by Applicable Law or under any and all of the Loan Documents.

**9.3 Waivers.** At any time after the Aggregate Principal Amount has become due and payable upon a declared acceleration as provided herein, and before any judgment or decree for the payment of the money so due, or any portion thereof, is entered, the Lenders may, by written notice to the Borrower, rescind and annul such declaration and its consequences. No such rescission by the Lenders will affect any subsequent Default or Event of Default or impair any right consequent thereon.

**9.4 Right of Set-Off.** Upon the occurrence and during the continuation of an Event of Default, but subject to the Intercreditor Agreement, the Lenders are hereby authorized at any time and from time to time thereafter, without notice to the Borrower (any such notice being expressly waived by the Borrower) and to the fullest extent permitted by Applicable Law, to set-off and apply any and all deposits (whether general or special, time or demand, provisional or final, matured or unmatured) at any time held, if any, and any and all other indebtedness or other obligations at any time owing, by the Lenders to or for the credit or the account of a Borrower Party after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

**9.5 Application of Proceeds.** Except as otherwise agreed to by the Lenders in their sole discretion and as otherwise expressly provided hereunder, and subject to the Intercreditor Agreement, all payments made by or on behalf of the Borrower under the Loan Documents, after acceleration pursuant to Section 9.2, will be applied by the Lenders in the following order:

- (a) in payment of any amounts due and payable by way of out-of-pocket expenses incurred by or on behalf of the Lenders pursuant to the Loan Documents after such acceleration;
- (b) in payment of any fees that are due and payable pursuant to the terms of the Loan Documents;

- (c) in payment of any amounts due and payable pursuant to the terms of the Loan Documents as and by way of interest, including any interest on overdue amounts;
- (d) in payment of the Aggregate Principal Amount; and
- (e) in payment of all other Obligations.

## **ARTICLE 10 CONFIDENTIALITY**

**10.1 Non-Disclosure.** All confidential information, including the Loan Documents and all financial, technical, operational, legal and other information, engineering studies, and data relating to the Borrower Parties' property, whether in written, electronic or other form or unrecorded, will be held by the Parties, their Affiliates and their respective shareholders, offices, directors, employees, financial advisors in strictest confidence and will not be disclosed to any Person, except as provided in Section 10.2 and 10.3, provided that the confidential nature of such information is made known by the disclosing Party to the receiving Party or ought to have been known to the receiving Party. All terms of this Agreement and any other Loan Documents shall be kept confidential by the Parties and shall not be disclosed, except as required to be disclosed to any Senior Lender, or by Applicable Law, or to potential equity investors and financial advisors of the Parties and its advisors, auditors and consultants.

**10.2 Exceptions.** Section 10.1 does not apply to confidential information:

- (a) of a Party where that Party consents in writing to its disclosure;
- (b) which becomes part of the public domain other than as a result of the breach by a Party of Section 10.1;
- (c) received from a Person without restriction by such Person on further disclosure and without breach of Section 10.1;
- (d) developed independently by a Party without breach of Section 10.1;
- (e) to the extent the receiving Party, or any Affiliate thereof, is required to disclose the same pursuant to any Applicable Law or order of any court or Authorized Authority, including any securities regulator or stock exchange, subject to (i) giving the other Parties prior written notice of the same promptly upon its obtaining knowledge thereof provided that in the event the financial statements or any other information pertaining to the Borrower is required to be publicly disclosed, then the Borrower will use commercially reasonable efforts to withhold the name of the Lenders in any such disclosure, and (ii) in the case of the Borrower Parties, providing the Lenders with a reasonable amount of time to review and comment on a draft of any such disclosure;



- (f) to the extent such information was already known to the receiving Party otherwise than as a result of negotiating and entering into this Agreement and any other Loan Documents (or any due diligence related thereto); or
- (g) to the extent disclosed to a Party's professional advisors, auditors and consultants for the purpose of advising such Party in respect of matters related to the Loan Documents.

**10.3 Permitted Disclosures.** Confidential information received by the Lenders may be disclosed to any Person, which may, pursuant to Article 11, become a Lender hereunder, provided that the confidential nature of the information is made known to such Person.

**10.4 Survival.** The obligations of the Parties under this Article 10 will survive for a period of two years following the repayment in full and cancellation of the Credit Facility or an assignment by the Lenders of all or any part of the Aggregate Principal Amount in whole or in part pursuant to Article 11.

## **ARTICLE 11 ASSIGNMENT**

**11.1 Assignment.** This Agreement and the other Loan Documents and the rights and obligations of the Borrower Parties hereunder and thereunder will not be assignable, in whole or in part, by the Borrower Parties without the prior written consent of the Lenders. Each Lender may assign all or part of the Aggregate Principal Amount and the Commitment Amount and its rights and obligations hereunder and under the Loan Documents to:

- (a) to the other Lender;
- (b) an Affiliate of the Lender or an Affiliate of M. Bruce Chernoff, or
- (c) any other Persons who by becoming a Lender under the Credit Facility will not result in the breach of any private placement restrictions under Applicable Law, (i) during any Default or Event of Default, without the consent of the Borrower, or (ii) at any other time, with the consent of the Borrower, such consent not to be unnecessarily withheld or delayed and provided that it will be reasonable to withhold such consent if at or after the time of the assignment, the Borrower would be under an obligation to pay a greater amount of interest as a result the residency of such assignee (for purposes of the *Income Tax Act* (Canada)).

The Borrower will, and will cause the other Borrower Parties to, execute such agreements, assurances and conveyances as may be reasonably required by the Lenders in order to give effect to such assignment.

**11.2 Effect of Assignment.** To the extent that the Lenders assign a portion of the Commitment Amount and the Aggregate Principal Amount and its rights and obligations

hereunder pursuant to Section 11.1, the assigning Lender will be relieved and forever discharged of any and all of its covenants and obligations under the Loan Documents in respect of that portion of its rights and obligations hereunder so assigned from and after the effective date of that assignment, and the Borrower's recourse under the Loan Documents with respect to matters that arise from and after the effective date of any such assignment in respect of such portion so assigned will be to the assignee Lender only and its successors and permitted assigns. The effective date of such an assignment will be determined by the assigning Lender and the assignee Lender with notice thereof to be given to the Borrower.

## **ARTICLE 12 MISCELLANEOUS**

### **12.1 Notices.**

- (a) Unless otherwise provided in the Loan 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 given or made at the address set forth below the name of each Party on the signature pages of this Agreement.
- (b) The Parties each covenant to accept service of judicial proceedings arising under the Loan Documents at its respective address for notice hereunder.
- (c) Any notice or other communication given or made in accordance with this Section 12.1 will be deemed to have been given or made on the same day and to have been received on the day of delivery if delivered as aforesaid or on the day of receipt of same by telecopy or other recorded means of electronic communication, as the case may be, provided such day is a Business Day and that such notice is received prior to 12:00 noon local time and, if such day is not a Business Day or if notice is received after 12:00 noon local time, on the first Business Day thereafter.
- (d) Each Party may change its address and telecopier number for purposes of this Section 12.1 by written notice given in the manner provided in this Section 12.1 to the other Parties.

### **12.2 Records.** The Administrator will maintain records, in written or electronic form, evidencing the Aggregate Principal Amount and all other Obligations owing under the Loan Documents. The Administrator will enter in such records details of all amounts from time to time owing, paid or prepaid by the Borrower to the Lenders hereunder, as applicable. The information entered in such records will constitute, in the absence of manifest error, prima facie evidence of the Obligations owed to the Lenders hereunder and the payments that the Borrower has made from time to time hereunder in respect thereof.

**12.3 Taxes.** The Borrower shall make all payments required hereunder, whether by way of principal, interest or otherwise, without regard to any defence, counterclaim or right of set off available to the Borrower and without withholding any Taxes. If the Borrower is required by Applicable Law to deduct any withholding Taxes from or in respect of any amounts payable under this Agreement:

- (a) the amounts payable by the Borrower hereunder will be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 12.3(a)) the Lenders will receive an amount equal to the sum it would have received had no such deductions been made;
- (b) the Borrower will make such deductions; and
- (c) the Borrower will pay the full amount deducted to the relevant taxing authority or other Authorized Authority in accordance with Applicable Law.

The Lenders hereby confirm that they are a resident of Canada or United States of America. In the event its residency status changes, the Lenders agree to notify the Borrower for purposes of implementing this Section.

**12.4 Set-Off or Counterclaim.**

- (a) The obligation of the Borrower to make all payments hereunder will be absolute and unconditional and will not be affected by any circumstance, including:
  - (i) any set-off, compensation, counterclaim, recoupment, defence or other right which the Borrower or any Borrower Party may have against the Lenders, or any other Person for any reason whatsoever; and
  - (ii) any Insolvency Event in respect of the Borrower.
- (b) The Borrower hereby waives, to the extent permitted by Applicable Law, any and all rights which it may now have or which at any time hereafter may be conferred upon it by statute or otherwise, to terminate, cancel, quit or surrender this Agreement except in accordance with the express terms hereof.

**12.5 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 Loan 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.

## **12.6 Judgment Currency.**

- (a) Each payment by the Borrower under this Agreement will be made in the currency in which it is due (the “**Original Currency**”). To the extent permitted by Applicable Law, any obligation of the Borrower to make payments under this Agreement in the Original Currency will not be discharged or satisfied by any tender in any currency other than the Original Currency, except to the extent such tender results in the actual receipt by the Lenders acting in a reasonable manner and in good faith in converting the currency so tendered into the Original Currency, of the full amount in the Original Currency of all amounts due under this Agreement. If for any reason the amount in the currency so received falls short of the amount in the Original Currency due in respect of this Agreement, the Borrower will, to the extent permitted by Applicable Law, immediately pay such additional amount in the Original Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Original Currency so received exceeds the amount in the currency due in respect of this Agreement, the Lenders will promptly remit the amount of such excess to the Borrower.
- (b) To the extent permitted by Applicable Law, if any judgment or order expressed in a currency other than the Original Currency is rendered (i) for the payment of any amount owing by the Borrower in respect of this Agreement; or (ii) in respect of a judgment or order of another court for the payment of any amount described in the foregoing clause (i), the Lenders, after recovery in full of the aggregate amount to which the Lenders, as applicable, are entitled pursuant to the judgment or order, will be entitled to receive immediately from the Borrower, the amount of any shortfall of the Original Currency received by the Lenders as a consequence of sums paid in such other currency and will refund promptly to the Borrower any excess of the Original Currency received by the Lenders as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the Rate of Exchange at which the Original Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the Rate of Exchange at which the Lenders are able, acting in a reasonable manner and in good faith in converting the currency received into the Original Currency, to purchase the Original Currency with the amount of the currency of the judgment or order actually received by the Lenders. The term “**Rate of Exchange**” includes any premiums and costs of exchange payable in connection with the purchase of or conversion into the Original Currency.
- (c) To the extent permitted by Applicable Law, the obligation to pay an additional amount in accordance with the preceding subsections (a) and (b) will be enforceable as a separate and independent cause of action for the purpose of recovery in the Original Currency of such additional amount, will apply

notwithstanding any indulgence granted by the Lenders and will not be affected by judgment being obtained for any other sums due in respect of this Agreement. For the purposes of this Section 12.6, it will be sufficient for the Lenders to demonstrate that they would have suffered a loss had an actual exchange or purchase been made.

- 12.7 Waiver of Applicable Laws.** 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 Loan Documents in accordance with their terms.
- 12.8 Costs and Expenses.** The Borrower will pay and reimburse the Lenders for all of its costs in connection with the negotiation, preparation, execution, maintenance, enforcement and realization of the Loan Documents noted herein, including the reasonable fees and expenses of professional advisors (on a solicitor and his own client full indemnity basis) employed or retained by the Lenders in connection, incurred by the Lenders in connection with the enforcement of rights and remedies of the Lenders under or with respect to the Credit Facility.
- 12.9 Interest on Payments in Arrears.** Except as otherwise provided in this Agreement, interest will be paid by the Parties on amounts for which any Party has actually incurred an out-of-pocket expense and for which another Party has an obligation under the Loan Documents to reimburse such amounts to the Party incurring the expenses, interest will be payable on such amount at the rate set forth in Section 3.1 in effect at the applicable time calculated from the date which is two Business Days following a demand for payment by the Party entitled to receive payment thereof. All interest referred to in this Section 12.9 will be simple interest calculated daily on the basis of a 365 day year.
- 12.10 Amendments.** No Loan Document may be amended orally and any amendment may only be made by way of an instrument in writing signed by the Parties.
- 12.11 Governing Law; Jurisdiction; Etc.** This Agreement shall be governed by, and construed in accordance with, the law of the Province of Alberta. The Parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta for all matters arising out of or relating to the Loan Documents or any of the transactions contemplated thereby.
- 12.12 Waiver of Jury Trial.** Each Party hereby irrevocably waives, to the fullest extent permitted by Applicable Law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this agreement or any other Loan Document or the transactions contemplated hereby or thereby (whether based on contract, tort or any other theory). Each Party acknowledges that it and the other Party have been induced to enter into this Agreement and the other Loan Documents by, among other things, the mutual waivers and certifications in this section.

**12.13 No Waiver.**

- (a) Subject to Section 12.13(c), no waiver by a Party of any provision or of the breach of any provision of any of the Loan Documents will be effective unless it is contained in a written instrument duly executed by 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 nonfulfillment of any provision of any of the Loan 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 pursuant to Applicable Law or otherwise.
- (c) Acceptance of payment by a Party after a breach or nonfulfillment of any provision of any of the Loan 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 any of the Loan Documents.

**12.14 Payments Due on Business Day.** Whenever any payment hereunder will be due on a day other than a Business Day such payment will be made on the next succeeding Business Day and such extension of time will in such case be included in the computation of payment of interest in respect thereof.

**12.15 Credit Information.** The Borrower authorizes the Lenders to make such credit enquiries and investigations as the Lenders, in their sole discretion, may deem necessary or advisable in connection with the Credit Facility.

**12.16 Effective Date.** Notwithstanding the actual date of execution of this Agreement, this Agreement is made effective as of the Effective Date.

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

**12.18 Counterparts.** The Loan Documents may be executed in any number of counterparts and by different parties thereto 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. Counterparts may be executed either in original, faxed or other electronic form and the parties thereto adopt any signatures received by a receiving fax machine or other electronic means as original signatures of such parties.

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

**The Borrower:**

**PETROSHALE (US) LAND LLC**

Per: (signed) "John Fair"  
Name: John Fair  
Title: President

Address: 1801 Broadway, Suite 920  
Denver, CO 80202

Attention: President and CEO  
Facsimile: (403) 266-1438

**The Lenders:**

**ALPINE CAPITAL CORP.**

Per: (signed) "David Rain"  
Name: David Rain  
Title: Vice President

Address: 3900, 350 - 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3N9

Attention: President  
Facsimile: (403) 266-1438

**TODD SLAWSON TRUST**

Per: (signed) "Todd Slawson"  
Name: Todd Slawson  
Title: President

Address: 1675 Broadway, Suite 1600  
Denver, CO 80202-4675

Attention: President  
Facsimile:

**SCHEDULE A  
TO THE LOAN AGREEMENT  
DATED JANUARY 17, 2014**

**DEFINITIONS**

**“Administration”** means responsibilities assumed by the Administrator, including but not limited to, calculation of interest, coordination of any documentation and providing notices to the other Lender of any Drawdown Notices or notices of repayment regarding the Credit Facility.

**“Administrator”** means Alpine Capital Corp.

**“Affiliate”** means, in relation to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with the first mentioned Person, and for the purposes of this definition and references in this Agreement to Affiliate, “*control*” means the possession, directly or indirectly, by such Person or group of Persons acting in concert of the power to direct or cause the direction of the management and policies of the first mentioned Person, whether through the ownership of Voting Securities or otherwise.

**“Aggregate Principal Amount”** means the aggregate of the principal amount outstanding from time to time under the Credit Facility.

**“Agreement”** means the agreement among the Parties entitled “Loan Agreement” to which this Schedule A is attached 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 the Agreement and, unless the context otherwise requires, not to any particular Article, Section, paragraph or other subdivision thereof.

**“Applicable Law”** means, in relation to any Person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, treaties, official directives and orders of and the terms of all judgments, orders and decrees issued by any Authorized Authority by which such Person is bound or having application to the transaction or event in question.

**“Authorization”** means, in respect of any transaction, Person or event, any authorization, exemption, license, permit, franchise, consent, waiver, permission or approval by or from, or any filing or registration with, any Authorized Authority applicable to such transaction, Person or event or to any of such Person's business, undertaking or property, including those required under any Environmental Law.

**“Authorized Authority”** means, in relation to any Person, transaction or event, any (a) federal, state, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created under the authority of or



otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event.

“**Borrower**” means PetroShale (US) Land LLC, a corporation formed under the laws of the [NTD], and its affiliates, as approved by the Lenders, successors and permitted assigns.

“**Borrower Parties**” means, collectively, the Borrower and each Subsidiary of the Borrower.

“**Business Day**” means any day, other than a Saturday or Sunday, on which chartered banks are open for domestic business in Calgary, Alberta.

“**Capital Lease**” means any lease of any property (whether real, personal or mixed) by any Person as lessee that, in accordance with IFRS, either would be required to be classified and accounted for as a capital lease on a balance sheet of such Person or otherwise be disclosed as such in a note to such balance sheet.

“**Change of Control**” means:

- (a) the acquisition of more than<*Threshold Redacted*> of the Voting Securities in the capital of the Borrower by any Person or group of Persons, whether direct or indirect, acting alone or in concert with other Persons, over a period of time or at one time, other than the Permitted Holders, other than as a result of the Permitted Holders selling Voting Securities of the Borrower;
- (b) M. Bruce Chernoff, or a nominee thereof, ceases to be a director of the Borrower, other than by reason of (i) his own resignations, or (ii) their death, permanent disability or any other failure to meet the required qualifications for directors under Applicable Law, and, in the event of such death, permanent disability or any other failure to meet the required qualifications, such person is not replaced to the mutual satisfaction of Lenders and the Borrower, each acting reasonably; or
- (c) a Person, other than the Borrower or another Borrower Party, owns, directly or indirectly, any of the Voting Securities of a Subsidiary of the Borrower;

but does not include:

- (d) an event where the Borrower wishes to pursue, and subsequently completes, an equity financing or other restructuring where either:
  - (i) any balance outstanding pursuant to the Credit Facility, including any and all accrued and unpaid interest or any fee or other amount due on the Credit Facility, is repaid prior to or as part of the equity financing or other restructuring; or
  - (ii) approval from the Lenders, is received prior to the completion of the event.

**“Claim”** means any and all liabilities, indebtedness, obligations, losses, damages, claims, assessments, fines, penalties, costs, fees and expenses of every kind, nature or description, whether fixed or contingent, known or unknown, suspected or unsuspected, or foreseen or unforeseen, and whether based on contract, tort, statute or other legal or equitable theory of recovery, including interest which may be imposed in connection therewith, court costs, costs resulting from any judgments, orders, awards, decrees or equitable relief, and reasonable fees and disbursements of counsel (on a solicitor and his own client full indemnity basis), consultants and expert witnesses.

**“Closing Certificate”** means a certificate from a senior officer of a Borrower Party, in form and substance satisfactory to the Lenders, acting reasonably.

**“Closing Date”** has the meaning attributed to it in the recitals hereto.

**“Commitment Amount”** means U.S. \$20,000,000, as such amount may be reduced in accordance with the terms hereof.

**“Contaminants”** means substances, pollutants and wastes which (a) pollute or are otherwise harmful to the Environment, (b) are defined as contaminants, pollutants, radioactive waste, hazardous substances, hazardous waste, hazardous or toxic under any applicable Environmental Law, or (c) are construed as having an “adverse effect”, through impairment of or damage to the Environment, human health or safety or property under any applicable Environmental Law.

**“Credit Facility”** means the senior secured credit facility in the amount of up to the Commitment Amount, established in favour of the Borrower by the Lenders pursuant to Section 2.1 and subject to the conditions precedent in Article 5.

**“Debt”** means, with respect to any Person, the following determined on a consolidated basis and without duplication:

- (a) indebtedness for borrowed money and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) obligations arising pursuant to bankers' acceptances (including payment and reimbursement obligations in respect thereof) or letters of credit and letters of guarantee supporting obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;
- (c) obligations under guarantees, indemnities, assurances, legally binding comfort letters, letters of credit or other contingent obligations relating to the indebtedness for borrowed money of any other Person and all other obligations incurred for the purpose of or having the effect of providing financial assistance to another Person in respect of indebtedness for borrowed money or such other Debt obligations, including endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business);

- (d) all indebtedness representing the deferred purchase price of any property (other than trade payables not past due by more than 90 days incurred in the normal course of business), and all obligations created or arising under any (i) conditional sales agreement or other title retention agreement; (ii) Capital Lease; or (iii) operating leases which are entered into outside the ordinary course of business primarily for the purposes of financing; and
- (e) any other indebtedness or obligations of such Person classified as debt on such Person's balance sheet in accordance with IFRS.

**“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.

**“Distribution”** means, with respect to any Person, any:

- (a) payment of any dividend on or in respect of any shares or other securities in the capital of such Person, including hybrid securities (and any thereof acquired through the exercise of warrants or rights of conversion, exchange or purchase but excluding dividends in the form of equity securities);
- (b) redemption, retraction, purchase or other acquisition by such Person, in whole or in part, of shares or other securities in the capital of such Person, including hybrid securities (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 Debt of such Person; or
- (d) the transfer of any property for consideration of less than fair market value,

to or in favour of any shareholder (or any Affiliate thereof) of such Person, whether made or paid in or for cash, property or both.

**“Drawdown”** means any borrowing of funds by the Borrower hereunder.

**“Drawdown Date”** means the date of any applicable Drawdown under the Credit Facility.

**“Drawdown Notice”** means a drawdown notice in the form set out in Schedule C.

**“Effective Date”** means January 17, 2014.

**“Environment”** means all components of the earth, including all layers of the atmosphere, air, land and water, and all personal and real property (including all improvements and appurtenances within upon, under or over such real property) within, upon, under or over the foregoing.

**“Environmental Law”** means any Applicable Law relating, in whole or in part, to the protection or enhancement of the Environment that imposes liability as a result of adverse effects to the Environment, including such Applicable Laws relating to occupational safety, product liability, public health, public safety and transportation or handling of dangerous goods.

**“Event of Default”** means an event specified in Section 9.1.

**“Expropriation”** means condemnation, seizure, confiscation, eminent domain, expropriation or other compulsory or forced disposition or sale to an Authorized Authority (including any governmental departmental, agency, or instrumentality or other body, corporate or not, having the power of eminent domain or seizure by right) or termination or cancellation of rights by an Authorized Authority or other disposition or sale in lieu of or under threat of such expropriation or compulsory or forced disposition or sale or termination or cancellation and “Expropriated” shall be construed accordingly.

**“IFRS”** means international financial reporting standards which are in effect from time to time in Canada.

**“including”** means “including without limitation” and **“includes”** means “includes without limitation”.

**“Indemnified Parties”** has the meaning attributed to it in Section 8.1.

**“Insolvency Event”** means, in relation to a Person, the occurrence of one or more of the following:

- (a) an order is made or an effective resolution passed for the winding-up, liquidation or dissolution of such Person;
- (b) such Person institutes proceedings for its winding up, liquidation or dissolution, or takes action to become a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, or files a proposal, a notice of intention to make a proposal, a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under any bankruptcy law or any other similar Applicable Law or consents to the filing of any such petition, or consents to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of all or a substantial part of the property of such Person or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they come due or commits any other act of bankruptcy, or suspends or threatens to suspend transaction of its usual business, or any action is taken by such Person in furtherance of any of the aforesaid;
- (c) a court having jurisdiction enters a decree or order adjudging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, readjustment, arrangement, composition or similar relief under any bankruptcy law or any other similar Applicable Law, or a decree or order of a

court having jurisdiction for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of all or a substantial part of the undertaking or property of such Person, or for the winding up, dissolution or liquidation of its affairs, is entered;

- (d) any proceedings, voluntary or involuntary, are commenced, or an order or petition is issued, respecting such Person pursuant to any Applicable Law relating to bankruptcy, insolvency, reorganization of debts, liquidation, winding-up or dissolution;
- (e) such Person institutes any proceeding for its dissolution or termination; or
- (f) such Person is generally not paying its debts as they become due, or such Person makes a general assignment for the benefit of creditors.

**“Intercreditor Agreement”** means the Intercreditor Agreement dated as of Closing Date between the Senior Lender, the Lenders and the Borrower Parties, which shall be in form and substance satisfactory to the Lenders, acting reasonably, as the same may be amended, restated, supplements or replaced from time to time and such similar agreement with a Senior Lender.

**“Interest Payment Date”** means the last Business Day of each month, in respect of interest which has accrued during the immediately preceding month.

**“Lender”** means Alpine Capital Corp., a resident of Canada, representing 75% of the Commitment Amount, and Todd Slawson Trust, a resident of the United States of America, representing 25% of the Commitment Amount, and their successors and permitted assigns, and

**“Lenders”** means both Alpine Capital Corp. and Todd Slawson Trust.

**“Lien”** means, with respect to any property, any mortgage, lien, pledge, assignment by way of security, charge, security interest, trust arrangement in the nature of a security interest, conditional sale or other title retention agreement, lease financings including by way of sale and lease-back, hypothec, levy, execution, seizure, attachment, garnishment, any option, preferential right or adverse claim constituting an interest in such property, or any other encumbrance in respect of such property.

**“Loan Documents”** means this Agreement, the Intercreditor Agreement, each Drawdown Notice, the Closing Certificate, the Security and any other document, agreement, guarantee, debenture, certificate or written instruments delivered in connection with the Credit Facility by a Borrower Party.

**“Material Adverse Effect”** means any fact or circumstance which would have a material adverse effect:

- (a) on the business, financial condition, operations, property or liabilities of the Borrower Parties taken as a whole or any other matter which would reasonably be expected to have a material adverse effect; or

- (b) on the validity or enforceability of this Agreement or any other Loan Document.

**“Maturity Date”** has the meaning attributed to it in Section 2.3.

**“Obligations”** means all indebtedness, liabilities and other obligations of the Borrower to the Lenders, whether absolute or contingent, matured or unmatured, howsoever arising under one or more of the Loan Documents.

**“Original Currency”** has the meaning attributed to it in Section 12.6(a).

**“Parties”** means the Borrower and the Lenders and their respective successors and permitted assigns, and **“Party”** means, as the context requires, any one of the Parties.

**“Permitted Holders”** means the Lenders or an Affiliate thereof and M. Bruce Chernoff and any Persons controlled by either of them.

**“Permitted Liens”** means any of the following:

- (a) Lien for taxes, assessments or governmental charges which are not due and delinquent, or the validity of which a Borrower Party shall be contesting in good faith and provided the applicable Borrower Party shall have provided adequate reserves therefore in accordance with IFRS;
- (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 oil and gas properties 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 any of the Borrower Parties' 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 such Borrower Party is in good faith contesting if such contest involves no risk of loss of any material part of the property of the Borrower Parties taken as a whole;
- (c) a sale or disposition of oil and gas properties resulting from any pooling or unit agreement entered into in the ordinary course of business when, in any of the Borrower Parties' reasonable judgment, it is necessary to do so in order to facilitate the orderly exploration, development or operation of such properties, provided that, such Borrower Party'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 such Borrower Party's interest in such oil and gas properties prior to such pooling or unitization and its obligations in respect thereof are not greater than its proportional share based on the interest acquired by it;
- (d) to the extent a Lien is created or constituted thereby, farmout interests or overriding royalty interests, net profit interests, reversionary interests and carried interests in respect of any of the Borrower Parties' oil and gas properties 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 any of the Borrower Parties' oil and gas properties, if such Liens do not materially detract from the value of any material part of the property of the Borrower Parties taken as a whole;
- (f) the lien of any judgment rendered, or claim filed, against any Borrower Party which the Borrower Party shall be contesting in good faith and provided the Borrower Party shall have provided adequate reserves therefore in accordance with IFRS;
- (g) liens, privileges or other charges imposed or permitted by law such as statutory liens and deemed trusts, carriers' liens, builders' liens, warehousemen's liens, mechanics' liens, materialmen's liens and other liens, privileges or other charges of a similar nature which relate to obligations not due and delinquent, including any lien or trust arising in connection with workers' compensation, unemployment insurance, pension and employment laws or regulations, or if due and delinquent the validity of which is being contested at the time in good faith and provided the Borrower Party shall have established adequate reserves there for in accordance with IFRS;
- (h) undetermined or inchoate liens arising in the ordinary course of and incidental to construction, maintenance or current operations of a Borrower Party which have not been filed pursuant to law against the Borrower Party 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 and delinquent or if due and delinquent, which the Borrower Party shall be contesting in good faith and provided the Borrower Party shall have provided adequate reserves therefor in accordance with IFRS;
- (i) inchoate liens or any rights of distress reserved in or exercisable under any real property lease or sublease to which a Borrower Party is a lessee which secure the payment of rent or compliance with the terms of such lease or sublease, provided that such rent is not then overdue or if overdue the validity of which is being contested at the time in good faith and provided the Borrower Party shall have provided adequate reserves therefor in accordance with IFRS;
- (j) surface rights, easements, rights-of-way, servitudes, zoning or other similar rights or restrictions in respect of land held by a Borrower Party (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipe lines, 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, do not materially detract from the value of such land or materially

impair its use in the operation of the business of the Borrower or the applicable Borrower Party;

- (k) security given by a Borrower Party to a public utility or any municipality or governmental or other public authority when required by such public utility or authority in the ordinary course of the business of the Borrower Party if such security does not, either alone or in the aggregate, materially detract from the value of any material part of the property of the Borrower Party;
- (l) the rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, grant or permit or by any statutory or regulatory provision to terminate any such lease, license, grant or permit, or to require annual or other periodic payments as a condition of the continuance thereof;
- (m) 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;
- (n) any security interest from time to time disclosed by the Borrower to the Lenders and which is consented to by the Lenders;
- (o) security interests in favour of the Lenders;
- (p) the rights and interests of any lessor under an operating lease of specific equipment;
- (q) the rights and interests of a Borrower Party under any lease of equipment by the Borrower Party to another Person;
- (r) security interests in favour of the Senior Lender pursuant to the Senior Loan Documents;
- (s) Purchase Money Liens, provided that the aggregate of such Purchase Money Liens at no time exceeds *<Threshold Redacted>*; and
- (t) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Lien referred to in the preceding paragraphs (a) to (r) inclusive of this definition, so long as any such extension, renewal or replacement of such lien or security interest is limited to all or any part of the same property that secured the lien or security interest extended, renewed or replaced (plus improvements on such property) and the indebtedness or obligation secured thereby is not increased,

provided that nothing in this definition shall in and of itself constitute or be deemed to constitute an agreement or acknowledgment by the Lenders that such Permitted Lien or



the indebtedness subject to or secured by any such Permitted Lien ranks (apart from the effect of any security interest included in or inherent in any such Permitted Lien) in priority to the security or the indebtedness of the Borrower granted or incurred under or pursuant to this Agreement.

**“Person”** is to be interpreted broadly and includes an individual, a partnership, a corporation, a trust, a joint venture, an unincorporated organization, a union, a government or any department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual.

**“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, which Lien is limited exclusively to such property and any proceeds thereof and any extension, renewal, refinancing or replacement thereof.

**“Rate of Exchange”** has the meaning attributed to it in Section 12.6(b).

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

**“Security”** has the meaning attributed to it in Section 4.1.

**“Senior Credit Agreement”** means the credit agreement dates as of [NTD] between the Borrower and the Senior Lender, as amended, supplements, restated or replaced from time to time.

**“Senior Facility Default”** means a default, event of default or other similar condition or event (however described) in a Senior Loan Document or if a demand is made by and Senior Lender thereunder.

**“Senior Indebtedness”** means the obligations, liabilities and indebtedness incurred by the Borrower Parties from time to time in connection with the Senior Facility and the Senior Loan Documents.

**“Senior Lender”** means the financial institution or Institutions from time to time providing the Senior Facility and their respective successors and assigns under the Senior Loan Documents, which currently is Independent Bank.

**“Senior Loan Documents”** means any agreement, facility or instrument evidencing senior secured debt of any Borrower Party provided such debt is in the form of a senior secured loan facility of a nature which is consistent with that normally provided by financial institutions to borrowers such as the Borrower, and including all other agreements, security agreements, debentures, guarantees and documents entered into in connection with such agreement, facility or instrument evidencing such senior secured debt of a Borrower Party, including as of the Closing

Date the Senior Credit Agreement, and all other agreements, security agreements, debentures, guarantees and documents entered into in connection with the Senior Credit Agreement.

**“Solvent”** means, with respect to any Person as of any date of determination, that, as of such date, (a) the value of the assets of such Person (both at fair value and present fair saleable value) is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person, (b) such Person is able to pay all liabilities of such Person as such liabilities mature, and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

**“Subsidiary”** means any Person of which more than 50% of the outstanding Voting Securities or, if such Person is not a corporation, other ownership interests, are owned, directly or indirectly by or for the Borrower, provided that, in the case of a Subsidiary that is a corporation, the ownership of such securities confers the right to elect at least a majority of the board of directors of such corporation and includes any Person in like relationship to a Subsidiary.

**“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 Closing Date or at any time in the future by any Authorized 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.

**“Todd Slawson Trust Promissory Note”** means, the revolving promissory note outstanding as of the date of this agreement representing a total committed amount of \$2.1 million, which is owed to Robert Todd Slawson, Trustee of the Todd Slawson Trust, or its assigns.

**“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 in the United States of America for the payment of public or private debts.

**“U.S. Subsidiaries”** means each of [NTD].

**“Vendor”** means any party to which the Borrower purchases any assets to be used in the business operations of the Borrower.

**“Voting Securities”** means securities of capital stock of any class of any corporation, partnership units in the case of a partnership, membership interests in the case of a limited liability company, trust units in the case of a trust or other evidence of ownership serving similar purposes, in each case, 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.

**SCHEDULE B**  
**TO THE LOAN AGREEMENT**  
**DATED JANUARY 17, 2014**

**SUBSIDIARIES AND OWNERSHIP INTERESTS**

TO BE COMPLETED BY BORROWER

**SCHEDULE C  
TO THE LOAN AGREEMENT  
DATED JANUARY 17, 2014**

**FORM OF DRAWDOWN NOTICE**

TO: **ALPINE CAPITAL CORP., the ADMINISTRATOR**

RE: **LOAN AGREEMENT** dated as of January 17, 2014 between Alpine Capital Corp. and Todd Slawson Trust (the “**Lenders**”) and PetroShale (US) Land LLC (the “**Borrower**”) (as amended, supplemented or otherwise modified from time to time, the “**Loan Agreement**”).

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1. THE DRAWDOWN DATE IS THE \_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_.  
**[Minimum of 2 Business Days prior notice of the Drawdown Date must be provided to the Administrator]**
2. Pursuant to the Loan Agreement, the undersigned hereby irrevocably requests that the Lenders advance to the Borrower U.S \$ \_\_\_\_\_ **[minimum of U.S. \$[100,000]]** under the Credit Facility.
3. As of the date of this Drawdown Notice, no Material Adverse Effect, Default or Event of Default has occurred and is continuing and each of the representations and warranties of the Borrower set forth in the Loan Agreement is true and correct as of the date of the requested drawdown in paragraph 1 above.
4. Capitalized terms used herein and not otherwise defined herein have the meanings given to them by the Loan Agreement.

DATED this \_\_\_\_ day of \_\_\_\_\_, 201\_\_, at Calgary, Alberta.

**PETROSHALE (US) LAND LLC**

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