

CREDIT AGREEMENT

This Agreement is made as of August 27, 2024 between

EARLSTON INVESTMENTS CORP., having an office at Suite 1703, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1J1
(the “Lender”)

and

FIDDLEHEAD RESOURCES CORP., an Alberta corporation, having an office at Suite 1000, 250 2 Street SW, Calgary, Alberta, T2P 0C1 (the “Borrower”)

RECITALS

- A. Background: The Lender has agreed to lend to the Borrower and the Borrower has agreed to borrow from the Lender the principal amount of \$13,000,000 on the terms and subject to the conditions of this Agreement.
- B. Agreements: For good and valuable consideration, the receipt and sufficiency of which each party acknowledges, the parties agree as follows:

ARTICLE 1 - DEFINITIONS

In this Agreement:

- (1) “**Abandonment/Reclamation Order**” means any abandonment, reclamation and/or non-compliance order or directive issued by the AER which relates to any assets of the Borrower.
- (2) “**Abandonment and Reclamation Report**” means a report pertaining to the abandonment and reclamation obligations of the Borrower in respect of oil and gas wells, facilities, and pipelines, in each case located in Alberta, segmented and in sufficient detail as requested by the Lender, which shall include: (a) the total number of such wells, categorized between active (producing) and inactive (non-producing) wells, and in each case, segregated between (i) operated and non-operated wells and (ii) gross and net wells; (b) abandonment and reclamation liabilities related to all such wells (expressed using uninflated and undiscounted values in nominal dollars), segregated between (i) active and inactive wells, (ii) operated and non-operated wells and (iii) gross and net wells; (c) abandonment and reclamation liabilities (expressed using uninflated and undiscounted values in nominal dollars) of the Borrower for active facilities and pipelines, inactive facilities and pipelines and sites requiring reclamation only; and (d) a list of third party operators for non-operated wells, facilities and pipelines of the Borrower (including gross number of wells, facilities and pipelines operated by each of them), but excluding any operators operating wells or pipelines comprising less than 5% of total net wells or 5% of pipelines, of the Borrower;
- (3) “**AER**” means the Alberta Energy Regulator;
- (4) “**Advance**” means the advance of the Facility hereunder;

- (5) “**ARO Liabilities**” means, as at any date of determination, the uninflated and undiscounted abandonment and reclamation liabilities (expressed in nominal dollars) of the Borrower;
- (6) “**Bonus Fee**” has the meaning set forth in Section (2) of Article 8 below;
- (7) “**Business Day**” means a day which is not a Saturday, Sunday or a statutory holiday in Calgary, Alberta;
- (8) “**Event of Default**” has the meaning set forth in Article 14 below;
- (9) “**Facility**” means the credit facility granted by the Lender to the Borrower pursuant to this Agreement in the maximum amount of \$13,000,000;
- (10) “**Loan Document**” means any of this Agreement, the Security and all other certificates, documents, instruments and agreements executed and delivered by the Borrower for the benefit of the Lender in connection herewith or pursuant to any of the foregoing;
- (11) “**Obligations**” means all debts, liabilities and obligations of the Borrower to the Lender under or in respect of this Agreement (including, for certainty, the Outstanding Balance), the Security and all other Loan Documents, including but not limited to payment of principal and interest as provided herein, and other amounts payable under this Agreement, any of the Security and the other Loan Documents, both present and future, absolute and contingent, direct and indirect, matured or not;
- (12) “**Outstanding Balance**” has the meaning set forth in Section (1) of Article 4 below;
- (13) “**Permitted Encumbrances**” has the meaning set forth in **Schedule “A”** hereto;
- (14) “**PSA**” means the asset sale agreement made as of the 28th day of May, 2024 between the Borrower, as purchaser and [*Redacted – third party information*], as vendor;
- (15) “**Structuring Fee**” has the meaning set forth in Article 7 below;
- (16) “**Subscription Agreement**” means the subscription agreement for subscription receipts to 1487477 B.C. Ltd., Research Capital Corporation, the Borrower and 1487445 B.C. Ltd., and accepted by the Borrower on August 27, 2024;
- (17) “**Term Sheet**” means the Term Sheet for Credit Facility dated May 28, 2024 between the Borrower and the Lender; and
- (18) “**Year End Reserve Report**” has the meaning set forth in Section (11) of Article 12.

ARTICLE 2 - FACILITY ADVANCE

Subject to and upon the fulfilment of the conditions precedent contained in Article 10 of this Agreement, the Lender will advance the principal amount of the Facility to the Borrower or as the Borrower may otherwise direct.

ARTICLE 3 - USE OF PROCEEDS

The Borrower covenants and agrees with the Lender that the Facility proceeds will be used by the Borrower solely for (i) payment of a portion of the purchase price in respect of the PSA, (ii) any amount payable in respect of the Bonus Fee pursuant to Article 8 below, (iii) any amount payable in respect of the Structuring Fee pursuant to Article 7 below, and (iii) any amount payable in respect of legal fees pursuant to Article 16 below.

ARTICLE 4 - TERM AND PREPAYMENT

(1) The principal amount of the Advance, together with all accrued but unpaid interest, any outstanding fees and other costs or charges payable hereunder from time to time (collectively the "**Outstanding Balance**"), will be immediately due and payable by the Borrower to the Lender on the earlier of:

- (a) November 30, 2025; and
- (b) the occurrence of an Event of Default (as defined in Article 14 hereof) and a demand for payment by the Lender pursuant to Article 15 below;

(2) If after the Advance, the Borrower sells or otherwise disposes of any of its assets outside of the ordinary course of business, the Borrower will pay or cause to be paid to the Lender all proceeds from such sale or disposition, net of reasonable costs, up to the full amount of the Outstanding Balance, to be applied on account of the Facility; and

(3) The Borrower may prepay the Facility in whole or in part, at any time before maturity, without penalty, provided that such prepayment is made on the last Business Day of a calendar month and the Borrower has provided not less than ten (10) business days' prior notice of its intention to prepay the Facility.

ARTICLE 5 - ADDITIONAL MANDATORY PAYMENTS

In addition to any other payments required pursuant to this Agreement, the Borrower shall repay to the Lender, until such time as the Outstanding Balance has been irrevocably repaid in full:

- (1) an installment of principal in the amount of \$400,000 on December 31, 2024;
- (2) commencing March 31, 2025, an installment of principal in the amount of \$750,000 on the last Business Day of each calendar quarter;
- (3) in the event the price of WTI falls below US \$70 on average for any 30-day period, installments of principal in the amount of \$250,000 on the last Business Day of each of the 6 calendar months following such 30-day period;
- (4) in the event the price of WTI falls below US \$60 on average for any 30-day period, installments of principal in the amount of \$1,000,000 on the last Business Day of each of the 6 calendar months following such 30-day period; and

(5) annually, the amount necessary (if any) to ensure that the outstanding principal amount does not exceed 50% of the net present value of the Borrower's proved developed producing reserves (discounted at ten percent (10%)) as reported pursuant to the Year End Reserve Report.

ARTICLE 6 - INTEREST

The Borrower shall pay interest accruing daily and payable at the greater of:

- (1) 11.5% per annum, calculated daily, compounded monthly (effective annual rate of 12.63%); and
- (2) The adjustable rate of Royal Bank of Canada's Prime Rate (Which is 6.7% as at today's rate) plus 4.75% per annum, calculated daily, compounded monthly (effective annual rate of 11.45% effective as at today's rate);

For the first twelve (12) months following the Advance and thereafter at 18% per annum, calculated daily, compounded monthly (effective annual rate of 19.56%), payable monthly on the last business day of each month.

ARTICLE 7 - STRUCTURING FEE

As consideration for the structuring and syndication by the Lender of the Facility, concurrently with the execution of the Term Sheet and in respect thereof, the Borrower has made a non-refundable cash payment to the Lender of \$50,000, which the Lender acknowledges having received.

ARTICLE 8 - BONUS

As consideration for the provision by the Lender of the Facility, concurrent with the Advance of the Facility, the Borrower shall make a non-refundable payment to the Lender of:

- (1) \$520,000 payable in cash (the "**Cash Bonus Fee**"); and
- (2) \$520,000 payable in the form of Units, as such term is defined in the Subscription Agreement (collectively, the "**Bonus Units**" and, together with the Cash Bonus Fee, the "**Bonus Fee**"). The number of Bonus Units deliverable shall be determined based upon the value attributed to such Bonus Units pursuant to the terms of the Subscription Agreement. Any Fiddlehead Shares and Fiddlehead Warrants issued to the Lender in connection with the Bonus Units shall be subject to a maximum hold period of four (4) months from the date of issuance under applicable securities laws and the rules and policies of the Exchange and shall be registered in the name of the Lender or as the Lender may otherwise direct.

ARTICLE 9 - SECURITY

As security for the Facility, the Borrower will execute and deliver to the Lender:

- (1) a promissory note from the Borrower, in the form attached hereto as **Schedule "B"** (the "**Note**");

- (2) a fixed and floating charge debenture under which the Borrower will grant to the Lender, *inter alia*, a security interest in all of its present and after-acquired property, subject only to Permitted Encumbrances (the “**Debenture**”);
- (3) an environmental indemnity agreement in respect of the Borrower’s properties;
- (4) an assignment of insurance proceeds in respect of the Borrower; and
- (5) execute and deliver or cause to be executed and delivered, any other addition or ancillary documentation that the Lender or its counsel may reasonably require,

all in form and terms satisfactory to the Lender and its counsel (collectively, the “**Security**”).

All property acquired by or on behalf of the Borrower after the date of execution of the Security which forms part of the property of the Borrower (hereinafter collectively referred to as “**After-Acquired Property**”), will be subject to the charges and security interests of the Debenture and the other Security, without any further conveyance, mortgage, pledge, charge, assignment or other act on the part of such 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 Lender will register, all at the Borrower’s expense, such instruments supplemental to the Security, in form and substance satisfactory to the Lender, as may be necessary or desirable to ensure that the Security, as amended and supplemented, constitutes in favour of the Lender an effective fixed and floating charge or security interest over such After-Acquired Property as required hereunder, subject only to Permitted Encumbrances which under applicable law rank in priority thereto.

At the request of the Lender, the Borrower shall forthwith (and in any event not more than five Business Days after the receipt of such request) grant, or cause to be granted, to the Lender additional fixed charges to any charges already contained in the Debenture (subject only to Permitted Encumbrances) over such of the Borrower’s property as the Lender determines as security for all then present and future Obligations. In this connection, immediately upon the request of the Lender, the Borrower will:

- (a) provide the Lender with such information as is reasonably required by the Lender to identify the additional property to be charged;
- (b) do all such things as are reasonably required to grant in favour of the Lender, a fixed lien (subject only to Permitted Encumbrances) in respect of such additional property to be so charged;
- (c) provide the Lender with all corporate or partnership, as applicable, resolutions and other action, as reasonably required, for the Borrower to grant to the Lender a fixed lien (subject only to Permitted Encumbrances) in the property identified by the Lender to be so charged;
- (d) provide the Lender with such security instruments, legal opinions and other documents which the Lender deems are necessary to give full force and effect to this section;

- (e) assist the Lender in the registration or recording of such agreements and instruments in such public registry offices in Canada or any province thereof as the Lender, acting reasonably, deems necessary to give full force and effect to this section; and
- (f) pay all reasonable costs and expenses incurred by the Lender 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.

ARTICLE 10 - CONDITIONS PRECEDENT TO ADVANCE

As conditions precedent to the Advance of the applicable portion of the Facility by the Lender:

- (1) the Borrower will have:
 - (a) executed and delivered or caused to be executed and delivered all of the Security documents and other items referred to in Article 9 above and the documents, securities and instruments referred to therein, and the Lender will have completed all registrations and other filings that may be prudent or necessary to perfect the Lender's security therein;
 - (b) delivered a certified copy of the Borrower's directors' resolutions authorizing the borrowing of the Facility and the grant of the Security to which the Borrower is a party, as applicable, and the execution and delivery of this Agreement and all agreements, documents and instruments referred to herein, together with an officer's certificate, certifying certain factual matters, in form and terms satisfactory to the Lender, acting reasonably;
 - (c) caused to be executed and delivered legal opinions of counsel to the Borrower, in form and terms satisfactory to the Lender and its counsel;
 - (d) delivered evidence in form and terms satisfactory to the Lender that the Offering amount (as defined in the Subscription Agreement) are not less than \$10,000,000 and that, in any event, such Offering amount, when combined with the Advance will be sufficient to consummate the purchase and sale transaction contemplated pursuant to the PSA;
 - (e) delivered evidence in form and terms satisfactory to the Lender that the Escrowed Release Conditions (as defined in the Subscription Agreement) have all been satisfied or will, concurrent with the Advance, be satisfied that satisfactory arrangements are in place to ensure receipt by the Vendor (as defined in the PSA) of all funds required to consummate the purchase and sale transaction contemplated pursuant to the PSA;
- (2) the representations and warranties of the Borrower contained in Article 11 will be true and correct in all material respects and the Borrower will have complied with all covenants required to be complied with by them under this Agreement and all other documents delivered hereunder, prior to the Advance by the Lender;

- (3) there shall have been no adverse material change in the business, operations, assets or ownership of the Borrower since the date of the Term Sheet;
- (4) the Lender will have completed and, in its sole and absolute discretion, be satisfied with its due diligence review of the Borrower and any properties and assets and will be satisfied in respect of all matters relating to the PSA and the transactions related thereto;
- (5) the Lender, in its sole and absolute discretion, will be satisfied that the net present value (discounted at ten percent (10%)) of future net revenues attributable to all of the Borrower's proved developed producing reserves is not less than CDN \$27,000,000;
- (6) the Lender, in its sole discretion, will be satisfied in all respects with the engineering report of GLJ Ltd. related to the Borrower the Assets (as defined in the PSA);
- (7) the Lender, in its sole discretion, will be satisfied with the amount of ARO Liabilities both before and after giving effect to the transactions contemplated pursuant to the PSA
- (8) the Lender will have received the approval of the Lender's board of directors with respect to the Facility; and
- (9) the Lender will, in its sole and absolute discretion, be satisfied as to the creditworthiness of the Borrower and the adequacy of the collateral security contemplated herein.

If any of the foregoing conditions precedent are not satisfied or waived by the Lender in writing as of the date first above written, this Agreement will terminate, the Lender will be under no further obligation to the Borrower in connection with the transaction contemplated herein and the Borrower will forthwith pay to the Lender all fees and expenses of the Lender in respect of this Agreement (including, for certainty, all Fees and Expenses as set out in Article 16), subject to and in accordance with such section).

ARTICLE 11 - REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants to the Lender as follows:

- (1) the Borrower exists as a company under the laws of the Province of British Columbia and is in good standing with respect to the filing of annual reports and all other such requirements pursuant to the laws thereof;
- (2) the Borrower has the power and authority to (i) carry on its businesses as now being conducted and is licensed or registered or otherwise qualified in all jurisdictions where in the nature of its assets or the business transacted makes such licensing, registration or qualification necessary, (ii) acquire, own, hold, lease and mortgage or grant security in its assets including real property and personal property and (iii) enter into and perform its obligations under this Agreement and all other documents or instruments delivered hereunder;
- (3) this Agreement and all ancillary instruments or documents issued, executed and delivered hereunder by the Borrower have been duly authorized by all necessary action of the Borrower and each constitutes or will constitute a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their terms, subject to applicable

bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and to the general principles of equity;

(4) the Borrower is not in breach of or in default under any material obligation in respect of borrowed money, and the execution and delivery of this Agreement and all ancillary instruments or documents issued and delivered by it hereunder or thereunder, and the performance of the terms hereof and thereof will not be, or result in, a violation or breach of, or default under, the Borrower's constating documents or any applicable law to which it is a party or may be bound;

(5) neither the entering into of this Agreement nor of any of the Security to which it is a party by the Borrower will constitute a breach or default under or in respect of any material agreement to which the Borrower is bound, and no consent, filing, authorization or approval is necessary under the terms of any such agreement to proceed with the transactions contemplated herein, including but not limited to the granting of the Security to which the Borrower is a party, except for those which have been obtained or made;

(6) the Security to which the Borrower is a party creates a valid charge, lien and security interest on the property and assets of the Borrower which has been granted over the applicable properties and assets of the Borrower in accordance with the terms hereof and thereof with the priority ranking contemplated in Article 9 above;

(7) except with respect to any such as have been disclosed to the Lender in writing, no litigation or administrative proceedings before any court or governmental authority are presently ongoing, or have been threatened in writing, or to the best of the Borrower's knowledge are pending, against the Borrower or any of its properties or assets or affecting any of its properties or assets which, if determined unfavourably, could have a material adverse effect on its business, properties or assets;

(8) the Borrower has made full disclosure to the Lender of all of its properties, business and assets and is the legal and beneficial owner of or has the right to acquire the interests in the properties, business and assets so disclosed, and any and all agreements pursuant to which the Borrower holds or will hold any such interest in property, business or assets are in good standing in all material respects under the applicable statutes and regulations of the jurisdictions in which they are situated;

(9) the Borrower has provided all copies of any Abandonment/Reclamation Orders (and any amendments, supplements or other modifications thereto) relating to the Borrower or other notices or communications related to any material directives, rules, regulations or other orders issued by the AER or otherwise affecting any of its assets relating to any material non-compliance with any applicable environmental laws, including liability assessments, potential or designated problem site notices, requirement to post security deposits and operator insolvency notices;

(10) there has been no adverse material change (actual, contemplated or threatened) in the property, assets, business or operations of the Borrower since the date of the Term Sheet;

(11) the information provided to the Lender by the Borrower in connection herewith is complete and accurate in all material respects and omits no facts, the omission of which makes

such information, or any particulars therein, misleading, misrepresentative or incorrect in any material respect;

- (a) the Borrower has conducted and is conducting its businesses in material compliance with all applicable laws, bylaws, rules and regulations of each jurisdiction in which its businesses are now carried on and hold all licenses, registrations, permits, consents or qualifications (whether governmental, regulatory or otherwise) required in order to enable its businesses to be carried on as now conducted or as proposed to be conducted, and all such licenses, registrations, permits, consents and qualifications are valid and subsisting and in good standing and the Borrower has not received any notice of proceedings relating to the revocation or modification of any such licenses, registrations, permits, consents or qualifications which, if the subject of an unfavourable decision, ruling or finding, would materially adversely affect the condition of such businesses, operations, condition (financial or otherwise) or income of the Borrower;
- (12) neither Canada Revenue Agency nor any other taxation authority has asserted or, to the best of the Borrower's knowledge, has threatened to assert any assessment, claim or liability for taxes due or to become due in connection with any review or examination of the tax returns of the Borrower filed for any year which would have material adverse effect on the assets, properties, business, results of operations, prospects or condition (financial or otherwise) of the Borrower;
- (13) the Borrower is not a party to any material contract other than as disclosed to the Lender;
- (14) as at the date of this Agreement, other than as disclosed to the Lender in writing, no holder of outstanding shares in the capital of the Borrower will be entitled to any pre-emptive or any similar rights to subscribe for any of the shares in the capital of the Borrower or other securities of the Borrower, and no rights, warrants or options to acquire, or instruments convertible into or exchangeable for any shares in the capital of the Borrower are outstanding;
- (15) the Borrower has no direct or indirect subsidiary corporations;
- (16) except as disclosed to the Lender in writing prior to the date of this Agreement, the Borrower owns its business, operations and assets, and holds good title thereto, free and clear of all liens, claims or encumbrances whatsoever, except for Permitted Encumbrances;
- (17) after giving effect to the transactions contemplated in this Agreement, the Borrower is generally able to pay its debts as they come due; and
- (18) the chief executive office, principal place of business and place where the Borrower keeps its books and records is located at Suite 1000, 250 2 Street SW, Calgary, Alberta, T2P 0C1.

ARTICLE 12 - POSITIVE COVENANTS

The Borrower covenants and agrees that so long as any Obligations of the Borrower remain outstanding under this Agreement, it shall, except where it has first obtained the written

consent of the Lender (which consent shall not be unreasonably withheld) or as otherwise permitted hereunder:

- (1) at all times maintain its corporate existence;
- (2) duly perform its obligations under this Agreement and all other agreements and instruments executed and delivered hereunder or thereunder;
- (3) promptly pay when due all agency or finders' fees payable in connection with the Facility or this Agreement and indemnify and save harmless the Lender from all claims in respect of any such fees;
- (4) promptly following receipt thereof, provide copies of any Abandonment/Reclamation Orders (and any amendments, supplements or other modifications thereto) or other notices or communications related to any material directives, rules, regulations or other orders issued by the AER or otherwise affecting any of the assets of the Borrower relating to any material non-compliance with any applicable environmental laws, including liability assessments, potential or designated problem site notices, requirement to post security deposits and operator insolvency notices;
- (5) promptly following delivery thereof, provide notice to the Lender if any security deposits are given by or issued on its behalf to the AER (excluding any security deposits which are mandatorily required to be provided by owners of Oil and Gas Properties without regard to any liability management rating deficiency or similar abandonment and reclamation obligation deficiency)
- (6) carry on and conduct its business in a proper business-like manner in accordance with good business practice and keep or cause to be kept proper books of account in accordance with Canadian generally accepted accounting principles;
- (7) at all times comply with all applicable laws;
- (8) at all times maintain any material contracts to which it is a party in good standing and fulfill all obligations thereunder, and immediately notify the Lender of any facts or circumstances which may arise which could constitute a default thereunder and give rise to a right of termination under either such agreement, and take all steps as may be prudent or necessary to rectify or cure any such default;
- (9) provide the Lender with not less than thirty (30) days notice of the expiry or termination of any material options, rights or other benefits held by or available to the Borrower;
- (10) pay and discharge promptly when due, all taxes, assessments and other governmental charges or levies imposed upon it or upon its properties or assets or upon any part thereof, as well as all claims of any kind (including claims for labour, materials and supplies) which, if unpaid, would by law become a lien, charge, trust or other claims upon any such properties or assets, provided however that the Borrower shall not be required to pay any such tax, assessment, charge or levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower shall have set aside on its books the reserve the extent required by generally accepted accounting principles in an amount which is reasonably adequate with respect thereto;

(11) furnish to the Lender no later than thirty (30) days following the end of each calendar year, and in respect of such year, an oil and gas reserve report in form and substance satisfactory to the Lender (the “**Year End Reserve Report**”);

(12) furnish to the Lender no later than thirty (30) days following the end of each calendar quarter, and in respect of such quarter (or such other frequency and in respect of such other period as the Lender, acting reasonably, may agree to), a report in form and substance satisfactory to the Lender including the following information with respect to the Borrower:

- (a) an Abandonment and Reclamation Report;
- (b) copies of any field estimates of net oil and gas sales along with detailed explanations in respect of quarter-to-quarter variances;
- (c) the average price of oil and gas received at the wellhead;
- (d) any and all wells that were shut-in during that quarter, along with detailed explanations citing the reasons therefor and indicating the future potential of such wells;
- (e) any and all new wells and any and all existing wells with new zone on production and including details of the net oil and gas sales in respect of such wells;
- (f) details showing the trend of operating costs on both a cash and basis and accrual basis;
- (g) detailed breakdowns of capital expenditures, including a comparison of actual expenditures to budgeted expenditures;
- (h) estimates of reserve additions in respect of that quarter; and
- (i) complete list of payables and receivables;

(13) furnish to the Lender financial summaries in form and substance satisfactory to the Lender, promptly upon request by the Lender;

(14) promptly furnish and give to the Lender such other information with respect to the Borrower as the Lender may reasonably request from time to time during the term of this Agreement;

(15) furnish and give to the Lender (if such is the case) notice that an Event of Default has occurred and, if applicable, is continuing or notice in respect of any event which would constitute an Event of Default hereunder and specifying the nature of same; and

(16) perform and do all such acts and things as are necessary to perfect and maintain the security provided to the Lender pursuant to this Agreement.

ARTICLE 13 - NEGATIVE COVENANTS OF THE BORROWER

The Borrower covenants and agrees with the Lender that, while any Obligations of the Borrower remain outstanding hereunder, it shall not, without first obtaining the written consent of the Lender (such consent not to be unreasonably withheld) or as otherwise expressly permitted hereunder:

- (1) make, give, create or permit or attempt to make, give or create any mortgage, charge, lien or encumbrance over any of its assets, other than Permitted Encumbrances or any other such contemplated hereby;
- (2) change its name;
- (3) allot and issue any new shares in its capital, other than any such contemplated hereunder or the other documents contemplated hereby;
- (4) declare or provide for any dividends or other payments based on its share capital at any time an Event of Default has occurred and is then continuing;
- (5) redeem or purchase any of its shares;
- (6) make or permit any sale or transfer of or disposition of any substantial or material part of its business, assets or undertaking outside of the ordinary course of business;
- (7) save and except for purchase money security interests and equipment leases entered into in the ordinary course of business, borrow money from any person other than the Lender; or
- (8) guarantee or permit the guarantee of the obligations of any other person, directly or indirectly, except in favour of the Lender.

ARTICLE 14 - EVENTS OF DEFAULT

Each and every of the events set forth in this Article will be an event of default (“**Event of Default**”):

- (1) if the Borrower fails to make any payment of principal or interest when due hereunder, and such failure continues for two (2) Business Days;
- (2) if the Borrower defaults in observing or performing any material term, covenant or condition of this Agreement, the Security or any other collateral document delivered hereunder or in connection with the Facility, other than the payment of monies as provided for in subsection (a) hereof, on its part to be observed or performed and such failure continues for ten (10) Business Days;
- (3) if any of the Borrower’s representations, warranties or other statements in this Agreement or any other collateral document delivered hereunder or in connection with the Facility were at the time given false or misleading in any material respect, and the same (if capable of being corrected) is not corrected within ten (10) Business Days;

- (4) if the Borrower is in default (after the expiry of any cure period related thereto), in any material respect, in respect of observing or performing any term, covenant or condition of any material debt instrument or material debt obligation by which it is bound;
- (5) if the Borrower permits any sum which has been admitted as due by it, or is not disputed to be due by it, and which forms or is capable of being made a charge upon any of its assets or undertaking to remain unpaid or not challenged for thirty (30) days after proceedings have been taken to enforce the same;
- (6) if the Borrower ceases or threatens to cease to carry on business;
- (7) if any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration at law or in equity is pending or threatened against or affecting the Borrower or any material property of the Borrower;
- (8) if, in the reasonable opinion of the Lender, a material adverse change occurs in the financial condition of the Borrower, including in respect of the assets of the Borrower;
- (9) if the Lender in good faith and on commercially reasonable grounds believes that the ability of the Borrower to pay any of the Outstanding Balance to the Lender, or the ability or the Borrower to perform any of the covenants contained in this Agreement or any other collateral agreement or other document is impaired or any security granted by the Borrower to the Lender is or is about to be impaired or in jeopardy;
- (10) if the Borrower petitions or applies to any tribunal for the appointment of a trustee, receiver or liquidator or commences any proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law of any jurisdiction, whether now or hereafter in effect; or
- (11) if any petition or application for appointment of a trustee, receiver or liquidator is filed, or any proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law are commenced, against the Borrower which is not opposed by the Borrower in good faith, or an order, judgment or decree is entered appointing any such trustee, receiver, or liquidator, or approving the petition in any such proceeding.

ARTICLE 15 - EFFECT OF EVENT OF DEFAULT

If any one or more Events of Default occur or occurs and is or are continuing, the Lender may without limitation in respect of any other rights it may have in law or pursuant to this Agreement or any other document or instrument delivered hereunder, demand immediate payment of all monies owing hereunder.

ARTICLE 16 - LENDER'S FEES AND EXPENSES

The Borrower will pay for the Lender's legal fees (on a full indemnity basis) and other costs, charges and expenses (including due diligence expenses) of and incidental to the preparation, execution and completion of this Agreement and the security hereunder, as may be required by the Lender to complete this transaction on a full indemnity basis (collectively, the "**Fees and Expenses**"). Any such amounts will be payable upon presentment of an invoice. If not paid within thirty (30) days of presentment of an invoice, such amount will be added to and form part of the principal amount of the Facility and shall accrue interest from such date as if it

had been advanced by the Lender to the Borrower hereunder. On or subsequent to the date of execution of the Term Sheet, the Borrower deposited with the Lender a retainer of \$30,000 (the “**Retainer**”). The Retainer is, except as expressly provided for herein, non-refundable, and shall be applied against the Fees and Expenses. If, at any time, the Fees and Expenses exceed the amount of the Retainer, the Lender may require the Borrower to pay additional amounts in respect of such excess amount. Any balance of the Retainer remaining after payment of the Fees and Expenses shall be credited to the account of the Borrower.

ARTICLE 17 - INDEMNITY

The Borrower agrees to indemnify and save harmless the Lender and each of its directors, officers, employees and agents from and against all liabilities, claims, losses, damages and reasonable costs and expenses in any way caused by or arising directly or indirectly from or in consequence of the occurrence of any Event of Default under this Agreement, except in respect of any such caused by the gross negligence, fraud or wilful misconduct of the Lender.

ARTICLE 18 - FURTHER ASSURANCES

The Borrower will from time to time, whether before or after the occurrence of an Event of Default, do all such acts and things and execute and deliver all such documents, deeds, transfers, assignments and instruments as the Lender may reasonably require for perfecting the Security granted or to be granted pursuant to this Agreement. The Borrower covenants and agrees with the Lender to discharge or cause to be discharged forthwith any encumbrances which may rank equal or in priority to the Lender’s Security referred to herein, except any such as are expressly stated herein to be permissible. The Borrower covenants and agrees to take all steps and proceedings as may be necessary to give effect to this Agreement.

ARTICLE 19 - NOTICES

In this Agreement:

(1) any notice or communication required or permitted to be given under this Agreement will be in writing and will be considered to have been given if delivered by hand, transmitted by facsimile transmission, email transmission or mailed by prepaid registered post to the address, facsimile transmission number or email address of each party set out below:

(a) if to the Lender:

Earlston Investments Corp. Suite 1703, Three
Bentall Centre 595 Burrard Street
Vancouver, BC V7X 1J1
Attention: Michael Atkinson

Fax No: [Redacted – contact information]

Email: [Redacted – contact information]

(b) if to the Borrower:

Fiddlehead Resources Corp.
c/o DLA Piper (Canada) LLP

Suite 1000, 250 2 Street SW
Calgary, Alberta, T2P 0C1

Attention: Brent Osmond
Email: [Redacted – contact information]

or to such other address, email transmission or facsimile transmission number as any party may designate in the manner set out above; and

- (2) notice or communication will be considered to have been received:
- (a) if delivered by hand during business hours on a Business Day, upon receipt by a responsible representative of the receiver, and if not delivered during business hours, upon the commencement of business on the next Business Day;
 - (b) if sent by facsimile transmission or email transmission during business hours on a Business Day, upon the sender sending the transmission, and if not transmitted during business hours, upon the commencement of business on the next Business Day; and
 - (c) if mailed by prepaid registered post upon the fifth Business Day following posting; except that, in the case of a disruption or an impending or threatened disruption in postal services every notice or communication will be delivered by hand or sent by facsimile or email transmission.

ARTICLE 20 - ASSIGNMENT

The Borrower acknowledges and agrees that the Lender may assign all or part of the Facility, this Agreement and all collateral agreements, documents or instruments delivered hereunder to one or more assignees, free from any right of set-off or counterclaim or equity. The Borrower may not assign its rights and obligations pursuant to this Agreement without the prior written consent of the Lender.

ARTICLE 21 - AGREEMENT TO PAY

Subject to Article 20, upon receipt of written notice and direction from the Lender, the Borrower covenants and agrees to make all payments of interest, principal and structuring fees due under this Agreement to the Lender and any assignee, pro rata in accordance with their respective proportionate interests in the Facility as set out in such written notice and direction, absent which all such payments may be made to the Lender. Any such payment made to an assignee shall satisfy payment of any corresponding amount otherwise payable to the Lender.

ARTICLE 22 - ENUREMENT

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

ARTICLE 23 - WAIVERS

No failure or delay on the Lender's part in exercising any power or right hereunder will operate as a waiver thereof.

ARTICLE 24 - REMEDIES ARE CUMULATIVE

The Lender's rights and remedies hereunder are cumulative and not exclusive of any rights or remedies at law or in equity.

ARTICLE 25 - TIME

Time is of the essence of this Agreement and all documents or instruments delivered hereunder.

ARTICLE 26 - CRIMINAL CODE COMPLIANCE

In this Section the terms "interest", "criminal rate" and "credit advanced" have the meanings ascribed to them in Section 347 of the Criminal Code (Canada) as amended from time to time. The Borrower and the Lender agree that, notwithstanding any agreement to the contrary, no interest on the Facility or the credit advanced by the Lender under this Agreement will be payable in excess of that permitted under the laws of Canada. If the effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

- (1) the elements of return which fall within the term "interest" will be reduced to the extent necessary to eliminate such excess;
- (2) any remaining excess that has been paid will be credited towards prepayment of the Facility; and
- (3) any overpayment that may remain after such crediting will be returned forthwith to the Borrower upon demand, and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lender will perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same will be conclusive and binding on the parties. This Agreement, the Note and all related agreements and documents will automatically be modified to reflect such modifications without the necessity of any further act or deed of the Borrower and the Lender to give effect to them.

ARTICLE 27 - INVALIDITY

If at any time any one or more of the provisions hereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby to the fullest extent possible by law.

ARTICLE 28 - GOVERNING LAWS

This Agreement will be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. The Borrower submits to the non-

exclusive jurisdiction of the Courts of the Province of Alberta and agrees to be bound by any suit, action or proceeding commenced in such Courts and by any order or judgment resulting from such suit, action or proceeding, but the foregoing will in no way limit the right of the Lender to commence suits, actions or proceedings based on this Agreement in any jurisdiction it may deem appropriate.

ARTICLE 29 - AMENDMENT.

This Agreement supersedes the Term Sheet and all prior agreements and discussions between the parties with respect to the subject matter set forth herein. This Agreement may be varied or amended only by or pursuant to an agreement in writing signed by the parties hereto.

ARTICLE 30 - SCHEDULES

All Schedules attached hereto will be deemed fully a part of this Agreement.

ARTICLE 31 - COUNTERPARTS

This Agreement may be signed in one or more counterparts, originally or by facsimile, each such counterpart taken together will form one and the same agreement.

[signature page to follow]

TO EVIDENCE THEIR AGREEMENT each of the parties has executed this Agreement on the date first above written.

EARLSTON INVESTMENTS CORP

By: "Michael Atkinson"

Name: Michael Atkinson

Title: President

FIDDLEHEAD RESOURCES CORP.

By: "Brent Osmond"

Name: Brent Osmond

Title: President and CEO