

Phone: [Redacted]

Fax: [Redacted]

July 27, 2021

*Hemisphere Energy Corporation
Suite 501, 905 West Pender Street
Vancouver, BC V6C 1L6*

Attn: [Redacted]

Dear Madam/Sirs:

ATB Financial, formerly Alberta Treasury Branches, has approved and offers the credit facility on the terms and conditions described in the attached Commitment Letter and accompanying schedules (this "**Agreement**") on and subject to the terms and conditions set forth in this Agreement.

You may accept our offer by returning the enclosed duplicate of this letter, signed as indicated below (whether in original ink, by facsimile or in another electronic format), by 4:00 p.m. on or before July 28, 2021 or our offer will automatically expire. We reserve the right to cancel our offer at any time prior to acceptance.

Thank you for your business.

Yours truly,

ATB FINANCIALBy: ("Signed")By: ("Signed")

Encl.

Accepted this 27th day of July, 2021

HEMISPHERE ENERGY CORPORATION

Per: (*Signed*) _____

Per: (*Signed*) _____

(We have authority to bind the Borrower)

COMMITMENT LETTER

LENDER: ATB FINANCIAL

BORROWER: HEMISPHERE ENERGY CORPORATION

1) **FACILITIES (each referred to as a "Facility")**

a) **FACILITY #1 - Operating Loan Facility (Revolver) – \$35,000,000.00**

i) **AMOUNT AND TYPE**

Facility #1 is available by way of:

- Prime-based loans in Canadian dollars
- Guaranteed Notes in Canadian dollars
- Letters of Credit (to an aggregate maximum of \$5,000,000.00) in Canadian dollars
- Corporate Mastercard (to a maximum of \$180,000.00)

Facility #1 is to be used to pay out, in full, all indebtedness and liability of Borrower owed to Cibolo Energy Partners LLC ("**Cibolo**") and, thereafter, for the general corporate purposes of Borrower related to the exploration, development, production and/or acquisition of domestic oil and natural gas assets, within the Western Canadian Sedimentary Basin.

Notwithstanding the amount of Facility #1, advances under Facility #1 will be limited to the amount equal to the lesser of:

- the maximum principal amount of Facility #1; and
- the amount of the most recent Borrowing Base determined hereunder.

From time to time, and no less frequently than on a semi-annual basis on or before [**Redacted**] of each year, the Borrowing Base shall be re-calculated by Lender upon receipt of each engineering report required to be delivered hereunder and if Borrower fails to deliver any such report then at any other time at Lender's sole discretion. Lender shall notify Borrower of each change in the amount of the Borrowing Base. In the event that Lender re-calculates the Borrowing Base to be an amount that is less than the Borrowings outstanding under Facility #1, Borrower shall repay the difference between such Borrowings outstanding and the new Borrowing Base within 45 days of receiving notice of the new Borrowing Base, and all rates and fees for Facility #1 listed under the "**Interest Rates and Prepayment**" section hereof will immediately upon receipt of that notice increase by [**Redacted**] basis points. Lender confirms that the Borrowing Base on the date hereof is \$35,000,000.00.

If (i) at any time the LLR of the Borrower in any Material Jurisdiction is less than 2.00; or (ii) the Borrower, or any Borrowing Base Asset, becomes subject to an Abandonment/Reclamation Order where the aggregate estimated current cost to the Borrower to comply with all such outstanding orders exceeds the Threshold Amount, then, in either case, unless waived by the Lender, the Lender will re-determine the Borrowing Base within 45 days after the Lender has received notice of, in the case of clause (i) above, the LLR being less than 2.00, or, in the case of clause (ii) above, the Borrower's receipt of such order. For the purpose of determining the estimated cost in clause (ii) above, the Borrower shall provide the Lender with a reasonable and factually supportable estimate of such costs within 15 Business Days of its receipt of the applicable order and shall deliver to the Lender all such relevant information related to such estimate as may be reasonably required by the

Lender. Such estimate shall be certified by a senior officer of Borrower, and the Lender, acting reasonably and in good faith, must approve such estimate.

ii) **INTEREST RATES AND PREPAYMENT**

(1) FLOATING RATE PRICING BASED ON GRID

Pricing applicable to Facility #1 is as follows:

- Prime-based loans (including overdrafts): Interest is payable in Canadian dollars at Prime plus the Applicable Facility #1 Margin per annum
- Guaranteed Notes: Acceptance fee is payable in Canadian dollars at the Applicable Facility #1 Margin per annum
- Letters of Credit: Fee is the Applicable Facility #1 Margin per annum with a minimum fee of \$[Redacted], payable in the currency in which it is issued

Non-refundable Facility fee calculated at a rate equal to the Applicable Facility #1 Margin is payable monthly in Canadian dollars on the last day of each month, calculated daily on the unused portion of the authorized amount of Facility #1.

The Applicable Facility #1 Margin shall be equal to the percentage rate per annum set out in the following table opposite the applicable Senior Debt to EBITDA ratio for Borrower at the time of determination:

Level	Senior Debt to EBITDA Ratio	Prime-based loans	Guaranteed Notes	Letters of Credit	Facility Fee
1	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
3	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
4	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
5	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

The effective date of any change to the Applicable Facility #1 Margin shall be the first day of the fiscal quarter immediately following the last day of the period for which Borrower is required to deliver financial statements under this Agreement. If financial statements are not delivered as required by this Agreement, the Applicable Facility #1 Margin shall immediately be the highest rate applicable, until such time as such financial statements are delivered and the ratio is re-determined. If the Applicable Facility #1 Margin changes during the term of any Guaranteed Note, the acceptance fee paid shall be adjusted to reflect the Applicable Facility #1 Margin for the remaining term, and the parties shall forthwith make whatever payments are necessary to reflect such adjustment.

Lender and Borrower acknowledge, that as of the Closing Date, [Redacted] is the initial Applicable Facility #1 Margin.

EBITDA shall be calculated based on the trailing 4 fiscal quarters, and shall be adjusted on a pro forma basis for material acquisitions and dispositions.

Fees for non-financial Letters of Credit will be [Redacted] of the fees for financial Letters of Credit.

The Applicable Facility #1 Margin shall increase by (i) **[Redacted]** bps during the Term Out Period (as defined below), and (ii) **[Redacted]** bps during any Borrowing Base Shortfall or any Event of Default (each as defined herein).

Facility #1 may be prepaid in whole or in part at any time (subject to the notice periods provided in this Agreement) without penalty, except that Guaranteed Notes cannot be prepaid prior to their maturity.

iii) **REPAYMENT**

(1) **EXTENDIBLE COMMITTED TERM FACILITY**

Facility #1 is a committed term facility, as detailed herein.

The period of time from the effective date hereof until the "**Term Date**" is described as the "**Revolving Period**".

The "**Term Date**" is initially **[Redacted]**, subject to extension as herein provided.

On the Term Date, any unutilized amount of Facility #1 will be cancelled, and the amount of Facility #1 will be reduced to the aggregate Borrowings outstanding on that date. On and after the Term Date, Facility #1 is non-revolving, and amounts repaid may not be re-borrowed, but Borrower may convert between types of Borrowings subject to the notice periods provided hereunder. All Borrowings and other amounts outstanding under Facility #1 are due and payable in full on the date (the "**Maturity Date**") falling one year after the Term Date (the "**Term Out Period**").

During the Revolving Period, Facility #1 may revolve in multiples as permitted hereunder, and Borrower may borrow, repay, reborrow and convert between types of Borrowings, up to the amount and subject to the notice periods provided herein.

Borrower may request an extension of the Term Date by sending Lender a written request for extension in the form attached as Schedule "B" by no later than 90 days prior to the then current Term Date, and Lender may in its sole discretion agree to extend the Term Date for a further period of 365 days. Lender shall advise Borrower of its decision regarding the extension by no later than 30 days prior to the then current Term Date.

b) **OTHER FACILITIES - CORPORATE MASTERCARD**

Corporate Mastercard facilities are available to a maximum of \$**[Redacted]** (as a sub-limit of Facility #1). Corporate Mastercard fees are detailed in the Corporate Mastercard documentation.

c) **OTHER FACILITIES –FOREIGN EXCHANGE, INTEREST RATE AND COMMODITY DERIVATIVES**

At Borrower's request, Lender may enter into Swaps in compliance with the provisions in this Agreement with Borrower from time to time. Lender makes no commitment to enter into any such Swap and may at any time in its sole discretion decline to enter into any such Swap.

2) **FEES**

- (a) Non-refundable application fee of \$**[Redacted]** is payable on acceptance of this Agreement, of which \$**[Redacted]** has already been paid. This application fee shall include the **[Redacted]** annual review renewal fee. In the event the initial Maturity Date is extended past

[Redacted] in accordance with the provisions hereof, Lender reserves the right to require a payment of an extension fee at such time.

- (b) Non-refundable collateral agency fee of \$[Redacted] is payable on acceptance of this Agreement and shall apply to the operation and administration of the Intercreditor Agreement until [Redacted] (the "ICA Maturity Date"). In the event the Intercreditor Agreement is not terminated on the ICA Maturity Date, Lender reserves the right to require payment of an additional collateral agency fee at such time.
- (c) A \$[Redacted] issuance fee is payable for each Borrowing by way of Guaranteed Notes.
- (d) Any Facility may be subject to a fee where Lender in its sole discretion permits excess Borrowings, if any, for such Facility.
- (e) For reports or statements not received within the stipulated periods (and without limiting Lender's rights by virtue of such default), Borrower will be subject to a fee of \$[Redacted] per month for each late reporting occurrence.

Lender is hereby authorized to debit Borrower's current account for any unpaid portion of any fees due under this Agreement.

3) SECURITY DOCUMENTS

All security documents (whether held or later delivered) (collectively, the "Security Documents") shall secure all Facilities, all other obligations of Borrower to Lender (whether present or future, direct or indirect, contingent or matured) and the Existing Swaps (collectively, the "Obligations").

The Security Documents required at this time, and which Borrower shall execute and deliver to Lender, for and on behalf of Lender and the other Secured Parties (as defined in the Intercreditor Agreement), are as follows:

- (a) General Security Agreement from Borrower providing, subject to Permitted Encumbrances, a first-ranking security interest over all present and after acquired personal property and a first floating charge over all other present and after-acquired property of Borrower (with provisions as set out in Schedule "G" hereof contemplating a fixed charge on its oil and gas properties should such a fixed charge be required pursuant to this Agreement) registered in Alberta and all other jurisdictions in which Borrower hereafter carries on business;
- (b) Intercreditor Agreement with [Redacted] and [Redacted] with respect to the Existing Swaps (the "Intercreditor Agreement"); and
- (c) ISDA Master Agreement for Borrower.

Upon Lender's request, the Borrower shall, as part of the Security Documents, execute and deliver to the Lender the amending agreement (GSA/Debenture-Fixed Charges) in substantially the form attached hereto as Schedule "G". The Borrower hereby irrevocably constitutes and appoints the Lender or any receiver appointed by the Lender its true and lawful attorney and agent, with full power and authority in the Borrower's name, place and stead from time to time to do all acts and things and execute and deliver all share transfers, certificates, proxies, resolutions, consents, assignments, transfers, conveyances and agreements, in such form as the Lender considers necessary or desirable, to do all things which the Borrower is required to sign, execute and do hereunder if the Borrower has failed to sign, execute or do the same and generally to use the name of the Borrower, as applicable, in the exercise of all or any of the powers hereby conferred on the Lender, with full powers of substitution and revocation; provided that this power of attorney may not be exercised by

the Lender until the occurrence of an acceleration event or an Event of Default which is continuing. Such appointment and power of attorney is hereby declared by the Borrower to be an irrevocable power coupled with an interest in favour of the Lender and shall remain in full force and effect until the Security Documents are discharged.

The Lender may at any time and from time to time register or cause to be registered the Security Documents (or a caveat or other notice in respect thereof) against title to any or all of the Borrowing Base Assets. Upon the request of the Lender, the Borrower will provide to the Lender a list of its Borrowing Base Assets containing a sufficient description thereof to permit the Lender to register the Security Documents (or a caveat or notice thereof) against title to such Borrowing Base Assets. The Borrower shall ensure and will assist the Lender to ensure that the Security Documents and all such supplementary and corrective instruments and all additional mortgage and security documents and all documents, caveats, cautions, memorials, security notices and financing statements in respect thereof, are promptly filed and refiled, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by Applicable Law or as may be necessary or desirable to perfect and preserve the charge as a first priority mortgage, charge and security interest and the rights conferred or intended to be conferred upon the Lender by the charge and will cause to be furnished promptly to the Lender evidence satisfactory to the Lender of such filing, registering and depositing. The Borrower shall, forthwith on demand being made by the Lender, pay all reasonable fees, costs and expenses incurred by the Lender or its agents in connection with the filing, re-filing, registering, re-registering, depositing and re-depositing of the Security Documents and all such supplementary and corrective instruments and all additional mortgage and security documents. The fees, costs and expenses incurred by the Lender or its agents hereunder shall be secured hereby and shall become part of the Indebtedness.

The Security Documents are to be registered in the following jurisdictions: British Columbia and Alberta.

4) **CONDITIONS PRECEDENT**

It is a condition precedent to each advance under this Agreement that, at the time of such advance, all representations and warranties in this Agreement must be true and correct in all material respects as if made on such date, and there must be no default under any Loan Document.

In addition, no Facilities will be available until the following conditions precedent have been satisfied, unless waived by Lender:

- (a) Lender has received all Security Documents and all registrations and filings have been completed in British Columbia, Alberta and any other Material Jurisdiction, in all cases in form and substance satisfactory to Lender;
- (b) The Loan Parties have provided to Lender all duly enacted corporate resolutions authorizing the execution, delivery and performance of the Loan Documents, an officer's certified copy of its governing documents, and a certificate of incumbency;
- (c) Lender has received evidence of the receipt by each Loan Party of all necessary Governmental Authorities required from any Governmental Authority or any other Person for the entry into, execution and delivery of the Loan Documents and the performance of its obligations under the Loan Documents;
- (d) Lender has received a satisfactory legal opinion from counsel to the Loan Parties addressing:
 - i) the due authorization, execution, delivery, and non-contravention of Applicable Law; and

- ii) any other matters that may be reasonably requested by Lender;
- (e) Lender has not received written notice of any execution, lien, trust, charge or encumbrance affecting the assets charged by the security created by the Security Documents (other than Permitted Encumbrances);
- (f) Lender has received a satisfactory certificate of insurance issued by Borrower's insurance broker in respect of all policies required to be maintained by Borrower (or to be maintained upon the acquisition of the applicable assets) which are to name Lender as first loss payee under all property damage policies and additional insured, as its interest may appear, in respect of all liability policies and which, in Lender's opinion (acting reasonably), adequately address any potential Environmental Claims;
- (g) Borrower has provided Lender with a list of all existing Material Contracts, as well as certified copies of all Material Contracts it may request from that list. Lender will be satisfied that all Material Contracts are in full force and effect and that no Loan Party is in default under any of them;
- (h) Lender has received evidence of not greater than 80% utilization of Facility #1 on the Closing Date;
- (i) All security interests charging any asset of a Loan Party have been discharged (including, without limitation, all security interests in favour of **[Redacted]**), other than security interests in favour of Lender and Permitted Encumbrances;
- (j) Lender has received from Borrower a Compliance Certificate confirming that Borrower is in compliance with all the terms and conditions of this Agreement prior to initial drawdown and that all representations and warranties continue to be true and correct in every material respect prior to initial drawdown;
- (k) Lender shall have received and approved Borrower's 2021 and 2022 operating budgets and financial forecasts;
- (l) Borrower has executed and delivered all of Lender's standard form account opening documentation required to establish current accounts and all documentation necessary to comply with applicable AML Laws, "know your client" and domestic and foreign tax laws including applicable Foreign Account Tax Compliance Act documentation;
- (m) Lender has received payment of all fees due in respect of this Agreement;
- (n) Lender is satisfied as to:
 - i) the value of each Loan Party's assets and financial condition;
 - ii) each Loan Party's ability to carry on business and repay any amount owed to Lender from time to time; and
 - iii) each Loan Party's organizational and capital structure including Subsidiaries, affiliates and ownership, whether direct or indirect;

- (o) Lender has received an Oil and Gas Ownership Certificate, satisfactory to Lender including a schedule of major producing petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (W.I. or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances, and overrides;
- (p) Lender has reviewed and is satisfied with the information concerning the Borrower's LLR in all applicable jurisdictions and any associated deposits required with the applicable Energy Regulator;
- (q) Lender has received the authorizations and supporting documents set out in Section 11 of this Agreement;
- (r) Lender has received an Environmental Certificate; and
- (s) Lender has received any other documents as Lender has reasonably requested.

The above conditions are inserted for the sole benefit of Lender, and may be waived by Lender in whole or in part (with or without terms or conditions) in respect of any particular Borrowing, provided that any waiver shall not be binding unless given in writing and shall not derogate from the right of Lender to insist on the satisfaction of such waived condition in future.

5) POSITIVE COVENANTS

Each Loan Party covenants with Lender that, it will do and perform the following covenants (to the extent applicable to it). If any such covenant is to be done or performed by a Guarantor, Borrower also covenants with Lender to cause Guarantor to do or perform such covenant:

- (a) Borrower will pay to Lender when due all amounts (whether principal, interest or other sums) owing by it to Lender from time to time;
- (b) Borrower will ensure that at least 95% of its consolidated assets are held by those Loan Parties which have provided security in favour of Lender;
- (c) Borrower shall ensure that its Borrowing Base Assets, at the end of each fiscal quarter, comply with the following minimum Swap requirements based on the outstanding Borrowings under Facility #1 (in each case, the "**Applicable Minimum Swap Requirement**"):

	Utilization of Facility #1		Required Proved Production Commodity Swaps in Place
i.	[Redacted]%		[Redacted]
ii.	[Redacted]%		[Redacted]
iii.	[Redacted]%		[Redacted]
iv.	[Redacted]%		[Redacted]

The Applicable Minimum Swap Requirement will be applicable to Borrower for the immediately subsequent 4 fiscal quarters from the time of determination;

- (d) Borrower will use the proceeds of the Facilities only for the purposes as set out in this Agreement or as otherwise approved by Lender;

- (e) Each Loan Party will maintain its valid existence as a corporation or partnership, as the case may be, and except to the extent any failure to do so could not reasonably be expected to have a Material Adverse Effect, will maintain all Governmental Authorizations required from any Governmental Authority, including any Energy Regulator, as applicable, to permit it to carry on its business, including, without limitation, any Governmental Authorizations for the protection of the Environment;
- (f) Each Loan Party will maintain its books of account and records relative to the operation of its business and financial condition in accordance with GAAP;
- (g) Each Loan Party will maintain and defend title to all of its property and assets, will maintain, repair and keep in good working order and condition all of its property and assets (except to the extent any failure to do so could not reasonably be expected to have a Material Adverse Effect) and will continuously carry on and conduct its business in a proper, efficient and businesslike manner;
- (h) Each Loan Party will maintain types and amounts of insurance satisfactory to Lender with Lender shown as first loss payee on any property insurance covering any assets on which Lender has security and additional insured, as its interest may appear, on all liability insurance, and which, in Lender's reasonable opinion, adequately address any potential Environmental Claims, and promptly advise Lender in writing of any significant loss or damage to its property, and each Loan Party will provide evidence of insurance to Lender:
 - i) in situations where Lender has taken a fixed charge on an asset or property whether on real property or personal property; and
 - ii) in all other situations, on request.

Lender reserves the right to conduct an independent review of any Loan Party's insurance coverage, at the reasonable expense of Borrower as part of the Lender's annual review;

- (i) Each Loan Party will permit Lender, by its officers or authorized representatives at any reasonable time and on reasonable prior notice, to enter its premises and to inspect its plant, machinery, equipment and other real and personal property and their operation, and to examine and copy all of its relevant books of accounts and records (including without limitation, all land records);
- (j) Borrower will ensure that all engineering data, production and cash flow projections and such other information and data regarding the Loan Parties and the Borrowing Base Assets provided to Lender by or on behalf of the Loan Parties (including without limitation, any engineering reports and land schedules) are true and accurate in all material respects as at the time provided and fairly reflect the interests of the Loan Parties therein net of all royalties and other burdens affecting the same;
- (k) Each Loan Party will, in all material respects, remit all sums when due to tax and other Governmental Authorities (including, without limitation, any sums in respect of employees and GST), and upon request, will provide Lender with such information and documentation in respect thereof as Lender may reasonably require from time to time;
- (l) Each Loan Party will comply with all Applicable Laws, including without limitation, Environmental Laws, except to the extent any failure to do so would not reasonably be expected to have a Material Adverse Effect;

- (m) Borrower will promptly advise Lender in writing, giving reasonable details, of:
 - i) the discovery of any Release into the Environment from or upon any property of a Loan Party which would reasonably be expected to have a Material Adverse Effect;
 - ii) any event which constitutes, or which with notice, lapse of time or both, would constitute a breach of any provision hereof or an Event of Default;
 - iii) each event which has or is reasonably expected to have a Material Adverse Effect on a Loan Party;
 - iv) any Material Adverse Change regarding any Loan Party, or of any material loss, destruction or damage to its properties and assets; and
 - v) any notice received from any Governmental Authority stating that any Loan Party is non-compliant with any Government Authorization or if any Governmental Authority related to its properties or assets are suspended or revoked;
- (n) Each Loan Party undertakes that, upon request from Lender, such Loan Party will grant a fixed mortgage and charge to Lender on any or all real property of that Loan Party so designated by Lender. Borrower shall promptly provide to Lender all information reasonably requested by Lender to assist it in obtaining and perfecting such fixed security. Borrower acknowledges that this undertaking constitutes present and continuing security in favour of Lender, and that Lender may file such caveats, security notices or other filings in regard thereto at any time and from time to time as Lender may determine necessary to ensure perfection of such fixed security if and when required to be granted by the Borrower hereunder;
- (o) Each Loan Party shall deliver forthwith to Lender any financial statements and other information as required in this Agreement;
- (p) Each Loan Party will fully pay its respective monetary obligations when due and perform its respective obligations under all leases and agreements relating to each leased location of any material asset charged by the Security Documents, except, in each case, to the extent any failure to do so could not reasonably be expected to have a Material Adverse Effect;
- (q) Each Loan Party will maintain in effect policies and procedures designed to promote compliance by such Loan Party, its Subsidiaries, and their respective directors, officers, employees and agents with all applicable Environmental Laws, Sanctions, AML Laws and Anti-Corruption Laws;
- (r) Provided a Material Adverse Change respecting the Environment has been identified and is continuing, then, at the request of Lender, the Loan Parties will assist Lender in conducting an environmental audit of the property which is the subject matter of such obligations or liabilities, by an independent consultant selected by Lender. The cost of such audit will be for the account of the Loan Parties, provided that Lender will carry out such audit in consultation with Borrower to expedite its completion in a cost effective manner. If such audit indicates that any Loan Party is in breach, or with the passage of time is likely to be in breach, of any Environmental Laws and such breach or potential breach individually or in the aggregate would have, in the opinion of Lender, acting reasonably, a Material Adverse Effect, and without in any way prejudicing or suspending any of the rights and remedies of Lender under the Loan Documents, the applicable Loan Party will forthwith commence and diligently proceed to rectify or cause to be rectified such breach or potential breach, as the case may be, and will keep Lender fully advised of the actions they intend to take and have

taken to rectify such breach or potential breach and the progress they are making in rectifying same. Lender will be permitted to retain, for the account of the applicable Loan Party, the services of a consultant to monitor the Loan Parties' compliance with this Section 5(r);

- (s) Borrower shall provide to the Lender, promptly following the receipt thereof, copies of any Abandonment/Reclamation Order or other notices or communications related to any material directives, rules, regulations or other orders issued by any applicable Energy Regulator to Borrower;
- (t) Borrower shall maintain an LLR in each Material Jurisdiction of no less than 2.0;
- (u) If:
 - i) because of a change in law, any applicable Energy Regulator ceases to use an LLR system as a means of determining compliance with ARO policies in any one or more of the relevant jurisdictions where the Borrower has Borrowing Base Assets; or
 - ii) the method of calculation of any such LLR changes in any material manner in any one or more of the relevant jurisdictions where the Borrower has Borrowing Base Assets; or
 - iii) if the threshold for which license transfers of regulated properties permitted under a licensee liability regime in any one or more of the relevant jurisdictions where the Borrower has Borrowing Base Assets changes,

then, in any such case, Borrower and Lender shall enter into good faith discussions with a view to determining a comparable rating system or threshold, as applicable, to replace the concept of LLR that is, at such time, broadly accepted as the prevailing market practice for such regulation in the applicable jurisdiction(s), with the intent of having the respective positions of Lender and Borrower after such change conform as nearly as possible to their respective positions immediately prior to such change; provided that, until any such agreement is reached, LLR shall continue to be calculated as if no such change had occurred.

6) **NEGATIVE COVENANTS**

Each Loan Party covenants with Lender that it will not do any of the following without the prior written consent of Lender. If a Guarantor is not to do an act, Borrower also covenants with Lender not to permit Guarantor to do such act.

- (a) A Loan Party will not create or permit to exist any mortgage, charge, lien, encumbrance or other security interest on any of its present or future assets, other than Permitted Encumbrances;
- (b) A Loan Party will not create, incur, assume or allow to exist any Indebtedness other than:
 - i) trade payables incurred in the ordinary course of business;
 - ii) any Indebtedness owing to another Loan Party (but only if that Loan Party has provided the Security Documents required by Lender);
 - iii) any Indebtedness secured by a Permitted Encumbrance;

- iv) any unsecured advances from affiliates/shareholders which are postponed in all respects to the Facilities; and
 - v) any Indebtedness owing to Lender;
- (c) A Loan Party will not sell, assign, transfer, convey, lease (as lessor), contribute or otherwise dispose of, or grant options, warrants or other rights with respect to any assets except:
- i) inventory sold, leased or disposed of in the ordinary course of business,
 - ii) obsolete equipment or equipment which is being replaced with equipment of an equivalent value,
 - iii) assets sold, leased or disposed of to another Loan Party (but only if that Loan Party has provided the Security Documents required by Lender), and
 - iv) assets sold, leased or disposed of during a fiscal year having an aggregate fair market value not in excess of the Threshold Amount for such fiscal year;
- (d) A Loan Party will not provide financial assistance (by means of a loan, guarantee or otherwise) to any Person other than as permitted under clause (b) above and other financial assistance not exceeding \$[Redacted] in aggregate in any fiscal year;
- (e) A Loan Party will not pay any amount to or for the benefit of shareholders or Persons associated with shareholders (within the meaning of the *Business Corporations Act* (Alberta)), whether by way of [Redacted];
- (f) A Loan Party will not redeem, purchase or otherwise acquire, retire or pay out any of its present or future share capital other than (i) to another Loan Party, and (ii) the normal course issuer bid of Borrower limited to \$[Redacted] for each calendar year (not cumulative);
- (g) A Loan Party will not amalgamate, consolidate, or merge with any Person other than a Loan Party and then only if no default or Event of Default is then in existence under this Agreement or would thereafter be in existence;
- (h) A Loan Party will not consent to or facilitate a Change of Control;
- (i) A Loan Party will not acquire any assets in, or move or allow any of its assets to be moved to, a jurisdiction where Lender has not registered or perfected the Security Documents;
- (j) A Loan Party will not change the present nature of its business in any material respect;

- (k) A Loan Party will not incur capital expenditures in respect of oil or gas properties outside of the Western Canadian Sedimentary Basin;
- (l) A Loan Party will not enter into any Swap outside the ordinary course of its business or for speculative purposes (determined, where relevant, by reference to GAAP); provided that, without limiting the generality of the foregoing, the following shall be deemed to be Swaps entered into outside of the ordinary course of business or entered into for speculative purposes:
 - i) any Interest Swap if the Equivalent Amount in Canadian Dollars of the notional amount of indebtedness under such Interest Swap together with the Equivalent Amount in Canadian Dollars of the notional amount of all other Interest Swaps then in effect in respect of the Loan Parties exceeds the underlying exposure to the risk hedged or sought to be hedged by such Interest Swap at the time such Interest Swap is entered into;
 - ii) any Commodity Swap if the term of such Commodity Swap exceeds two years or if the aggregate amount of Petroleum Substances subject to such Commodity Swap, together with all other Commodity Swaps then in place, would exceed in the aggregate on a rolling basis for the next following two years, [Redacted]% in the first year and [Redacted]% in the second year, in each case, of the Loan Parties' combined average daily production of such Petroleum Substances (net of royalties) during the immediately preceding fiscal quarter of the Borrower, as determined at the time any such Commodity Swap is entered into and as adjusted for acquisitions, divestitures and extraordinary events during such fiscal quarter in a manner satisfactory to the Lender, acting reasonably;
 - iii) any Currency Swap if the aggregate amount hedged under all Currency Swaps at the time any such Currency Swap is entered into exceeds the Loan Parties' U.S. Dollar underlying exposure, whether direct or indirect, to the risk hedged or sought to be hedged by such Currency Swap at the time such Currency Swap is entered into;
 - iv) any Interest Swap or Currency Swap having a term from its inception to maturity exceeding two years;
 - v) any Swap in respect of which a Security Interest is granted, except for Permitted Encumbrances and subject to the Intercreditor Agreement regarding the Existing Swaps; and
 - vi) and to the extent the Borrowing Base includes any value for any Swap, such Swap shall not be terminated by the applicable Loan Party without the prior written consent of the Lender except at its maturity and in accordance with its terms;
- (m) A Loan Party will not enter into any additional Swaps with either of [Redacted] or [Redacted], other than the Existing Swaps, and shall not renew or extend any of the Existing Swaps;
- (n) A Loan Party will not allow any pollutant (including any pollutant now on, under or about such land) to be placed, handled, stored, disposed of or released on, under or about any of its lands unless done in the normal course of its business and then only as long as it complies with all Applicable Laws including without limitation, Environmental Laws, in placing, handling, storing, transporting, disposing of or otherwise dealing with such pollutant, except to the extent any failure to do so would not reasonably be expected to have a Material Adverse Effect;

- (o) Except to another Loan Party, a Loan Party will not make any payments of principal, interest, fees or costs on account of any Subordinated Debt prior to the permanent repayment in full of the Borrowings;
- (p) A Loan Party will not enter into any transactions with its Subsidiaries or affiliates for goods or services unless entered into on commercially reasonable terms;
- (q) A Loan Party will not, directly or indirectly:
 - i) acquire or form any Subsidiary or become a partner in any partnership or a participant in any joint venture without ensuring that such Subsidiary, partnership or joint venture concurrently provides an unlimited and unconditional guarantee of the Facilities and security charging all of its present and after-acquired assets, together with a satisfactory opinion of its counsel as to the enforceability of that guarantee and security; or
 - ii) make any equity investment in, or purchase or otherwise acquire or hold any equity securities of, any other Person other than another Loan Party;
- (r) No part of the proceeds of the Facilities will be used, directly or indirectly:
 - i) in any manner that would result in a violation of any Sanction; or
 - ii) in violation of any applicable AML Laws or Anti-Corruption Laws;

a Loan Party will not use the proceeds (or permit any other Subsidiary to use the proceeds) of any Borrowing to accumulate or maintain cash or cash equivalents in one or more depository or investment accounts maintained by the Loan Party or any Subsidiary in an amount, in the aggregate between all such parties, greater than \$[Redacted] (or the equivalent amount in any other currency), but excluding therefrom cash or cash equivalents accumulated or maintained therein for a specified business purpose (other than simply accumulating a cash reserve), and, for certainty, the Lender may refuse to make any requested advance which the Lender, acting reasonably, determine would result in a contravention of this Section 6(r);
- (s) Borrower will not acquire or dispose of any assets which would result in Borrower's pro forma LLR to be less than 2.0 in any relevant jurisdiction where the Borrower has Borrowing Base Assets, if such acquisition or disposition is of an asset where Borrower has an operator interest (as determined by the applicable Energy Regulator's order, guideline, directive or regulation, directly or indirectly relating to ARO matters);
- (t) A Loan Party will not acquire or at any time directly or indirectly own, lease, operate or otherwise conduct any business relating to Cryptocurrency Assets;
- (u) Borrower will not operate accounts with or otherwise conduct any banking business with any financial institution other than Lender; and
- (v) A Loan Party shall not monetize any Swaps.

7) **REPORTING COVENANTS**

Borrower will provide to Lender:

- (a) within 120 days after the end of each of its fiscal years:

- i) financial statements of Borrower on a consolidated and audited basis prepared by a qualified accounting firm;
 - ii) a Compliance Certificate executed by a senior officer of Borrower in the form attached hereto as Schedule "A";
 - iii) financial forecast covering the next 2 fiscal years, including an income statement, balance sheet and cash flow statement, with the first 12 months of operations detailed on a monthly basis;
 - iv) an Oil and Gas Ownership Certificate, satisfactory to Lender including a schedule of major producing petroleum and natural gas reserves held by the Loan Parties described by lease (type, date, term, parties), legal description (wells and spacing units), interest (W.I. or other APO/BPO interests), overrides (APO/BPO), gross overrides, and other liens, encumbrances and overrides;
 - v) an LMR and decommissioning expense report, and an update as to the amount the Borrower has expended on decommission expenses during the applicable fiscal year and how they have performed against the budgeted amount in the applicable decommissioning budget with an explanation from management to explain any material variations therefrom and any other matters related to any changes in Borrower's abandonment and reclamation policies;
 - vi) an environmental questionnaire and disclosure statement in the form requested by Lender; and
 - vii) annual Swap report;
- (b) within 60 days following the end of each of its first 3 fiscal quarters:
- i) financial statements of Borrower on an internally prepared basis reconciled by management;
 - ii) a Compliance Certificate executed by a senior officer of Borrower in the form attached hereto as Schedule "A";
 - iii) LLR reporting; and
 - iv) quarterly Swap report;
- (c) Borrower will provide to Lender, on or before **[Redacted]** of each year, an internally-prepared engineering report;
- (d) Borrower will provide to Lender, on or before **[Redacted]** of each year, an externally-prepared engineering report of the Loan Parties' total proved properties prepared by an accredited, independent firm of consulting petroleum engineers satisfactory to Lender;
- (e) Borrower will provide to Lender, semi-annually on or before **[Redacted]** and **[Redacted]** respectively, of each year, an Abandonment and Reclamation Report for the relevant period, in a format acceptable to Lender and a completed "LMR Decommissioning Expense Worksheet", and an update as to the amount the Loan Parties have expended on decommission expenses during the applicable Fiscal Year and how they have performed against the budgeted amount in the applicable decommissioning budget with an explanation

from management to explain any material variations therefrom and any other matters related to any changes in Borrower's abandonment and reclamation policies;

- (f) ARO Budget delivered annually with annual reporting (with ARO Schedule); and
- (g) Borrower to provide prompt notification relating to any Energy Regulator notices/directives directly or indirectly relating to abandonment, reclamation and non-compliance matters.

8) **FINANCIAL COVENANTS**

Borrower will not at any time, without the prior written consent of Lender, breach the following restriction:

- (a) permit Working Capital Ratio to fall below 1.00:1.00;

The above financial ratio shall be maintained at all times and tested at the end of each fiscal quarter of Borrower and shall be detailed in the Compliance Certificate required to be delivered under this Agreement.

9) **REPRESENTATIONS AND WARRANTIES**

Each Loan Party represents and warrants to Lender that (to the extent applicable to it):

- (a) If a Loan Party is a corporation, it is a corporation duly incorporated, validly existing and duly registered or qualified to carry on business in the Province of Alberta and in each other jurisdiction where it carries on any material business;
- (b) If a Loan Party is a partnership, it is a partnership duly created, validly existing and duly registered or qualified to carry on business in the Province of Alberta and in each other jurisdiction where it carries on any material business;
- (c) Each Loan Party has all necessary power and authority to enter into, deliver and perform its obligations under each of the Loan Documents to which it is a party, to own its properties and assets and to carry on its business as now conducted;
- (d) The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party have been duly authorized by all necessary actions and do not violate or conflict with its governing documents or any Applicable Laws or agreements to which it is subject or by which it is bound;
- (e) No event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, a breach of any provision of any Loan Document;
- (f) The most recent financial statements of Borrower and, if applicable, any Guarantor, provided to Lender fairly present its financial position as of the date thereof and its results of operations and cash flows for the fiscal period covered thereby, and since the date of such financial statements, there has occurred no Material Adverse Change;
- (g) All engineering data, production and cash flow projections, and other information and data provided to Lender by or on behalf of Borrower (including, without limitation, any engineering reports and land schedules) are true and correct in all material respects as at the time provided and fairly reflect the interests of the Loan Parties therein net of all royalties and other burdens affecting the same;

- (h) Each Loan Party has good and marketable title to all of its properties and assets, free and clear of any encumbrances, other than Permitted Encumbrances;
- (i) Each Loan Party is in compliance in all material respects with all Applicable Laws including, without limitation, all Environmental Laws, and there is no existing material impairment to its properties or assets as a result of any Release, except to the extent disclosed in writing to, and acknowledged by, Lender, and:
 - i) each Loan Party possesses all environmental licences, permits and other Governmental Authorizations necessary to conduct its business including operations at its properties and facilities, other than such licences, permits and other Governmental Authorizations the absence of which would not individually or in the aggregate have a Material Adverse Effect;
 - ii) none of the Loan Parties has received any notices to the effect that the operations or the assets of any of the Loan Parties on its real property are: (A) not in full compliance with all Environmental Laws, except to the extent that any failure to do so would not have, individually or in the aggregate, a Material Adverse Effect or (B) the subject of any federal or provincial remedial or control action or order, or any investigation or evaluation as to whether any remedial action is needed to respond to a release or threatened release of any Hazardous Materials into the Environment or any facility or structure, except to the extent any failure to comply would not have a Material Adverse Effect; and
 - iii) none of the Loan Parties has received any notices or claims that it is or may be liable to any Person in any material amount (including any individual or government, whether federal, provincial, city or municipal) as a result of the Release or threatened Release of any Hazardous Materials into the Environment or into any facility or structure nor have there been any Releases, spills or discharges of any Hazardous Materials into the Environment or into any facility or structure, which after lapse of time, would give rise to any Environmental Claims which would have a Material Adverse Effect nor are any of the Loan Parties aware that there is any basis for any such Environmental Claims being commenced nor has any Loan Party ever been convicted, prior to the date hereof, of any offence in respect of Environmental Claims;
- (j) Each Loan Party has, in all material respects, filed all tax returns which are required to be filed, paid or made provision for payment (in accordance with GAAP) of all taxes due and payable, and provided adequate reserves (in accordance with GAAP) for the payment of any tax which is being contested;
- (k) All factual information furnished by or on behalf of any Loan Party in writing for purposes of or in connection with this Agreement or any transaction contemplated by this Agreement is true and accurate in every material respect as of the date delivered or specified in connection with that information, and that information is not incomplete by the omission of any material fact necessary to make it not misleading;
- (l) There are no actions, suits, proceedings, inquiries or investigations existing or, to the knowledge of any Loan Party, pending or threatened, affecting any Loan Party in any court or before or by any federal, provincial, state or municipal or other governmental department, commission, board, tribunal, bureau or agency, Canadian or foreign, which would reasonably be expected to have a Material Adverse Effect;
- (m) As at the date hereof, Borrower has no Subsidiaries;

- (n) Each Loan Party, each Subsidiary of any Loan Party, and each director, officer, employee and agent thereof is in compliance, in all material respects, with all applicable Sanctions, Anti-Corruption Laws and AML Laws;
- (o) Borrower is not in default of any Environmental Laws or Abandonment/Reclamation Order that it has received from any applicable Energy Regulator that would reasonably be expected to have a Material Adverse Effect; and
- (p) No Loan Party, nor any Subsidiary of any Loan Party nor any director, officer, employee or agent thereof is (i) the subject of any Sanction, or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of any Sanction.

Unless expressly stated to be made as of a specific date, the representations and warranties contained in this Agreement will survive the execution and delivery of the Loan Documents, and shall be deemed to be repeated as of the date of each Borrowing and as of the date of delivery of each compliance certificate, subject to modifications made by Borrower to Lender in writing and accepted by Lender. Lender shall be deemed to have relied upon such representations and warranties at each such time as a condition of making a Borrowing hereunder or continuing to extend the Facilities hereunder until all Facilities have been permanently repaid in full, regardless of any investigation or examination made by Lender or its counsel.

10) NEXT REVIEW DATE:

All Facilities are subject to review by Lender as follows:

- (a) semi-annual Borrowing Base review for **[Redacted]**; and
- (b) annual review for **[Redacted]**.

11) AUTHORIZATIONS AND SUPPORTING DOCUMENTS

Borrower has delivered or will deliver the following authorizations and supporting documents to Lender:

- (a) Borrower:
 - (i) Incorporation documents including Certificate of Incorporation, Articles of Incorporation (including any amendments) and last Notice of Directors;
 - (ii) Banking resolution in form provided by Lender or otherwise acceptable to Lender;
 - (iii) Certificate of signing authority;
 - (iv) Corporate Mastercard documentation;
 - (v) Environmental Certificate in the form of Schedule "E" attached hereto; and
 - (vi) Alberta Land Titles Office Name Search Consent Form;

- (b) General:
 - (i) Documents related to AML Laws, government sanction and "know your client" laws;
 - (ii) Opinion from counsel to Borrower regarding the Loan Documents and the ISDA Master Agreement;
 - (iii) ISDA Master Agreement; and
 - (iv) Opinion from counsel to Lender.

12) **DRAWDOWNS, PAYMENTS AND EVIDENCE OF INDEBTEDNESS**

- (a) Interest on Prime-based loans is calculated on the daily outstanding principal balance, and is payable on the last day of each month.
- (b) Other than with respect to overdrafts, Borrower shall provide notice to Lender in order to request an advance or make a repayment or conversion of Borrowings under this Agreement, as follows:
 - i) For Borrowings other than Libor-based loans:
 - a) under Cdn. \$[Redacted]– same day notice
 - b) Cdn. \$[Redacted] and over – one Business Day prior written notice
- (c) If Letters of Credit are available under this Agreement, the term of each Letter of Credit shall not exceed one (1) year, although automatic extensions thereof (unless notified by Lender) are permitted. On any demand being made by a beneficiary for payment under a Letter of Credit, the amount so paid shall be automatically deemed to be outstanding as a Prime-based loan (in Canadian dollars) under Facility #1.
- (d) Borrower may cancel the availability of any unused portion of a Facility #1 on five Business Days' notice. Any such cancellation is irrevocable.
- (e) The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.
- (f) If the amount of Borrowings outstanding under any Facility, when converted to the Equivalent Amount in Canadian dollars, exceeds the amount available under such Facility, Borrower shall, unless Lender otherwise agrees in its sole discretion, immediately repay such excess to Lender.
- (g) If any amount due under this Agreement is not paid when due, Borrower shall pay interest on such unpaid amount (including without limitation, interest on interest) if and to the fullest extent permitted by Applicable Law, at a rate per annum [Redacted] greater than the interest rate otherwise payable for such amount under this Agreement.
- (h) The branch of Lender (the "**Branch of Account**") where Borrower maintains an account and through which the Borrowings will be made available is located at [Redacted]. Funds under the Facilities will be advanced into and repaid from account no. [Redacted] (if in Canadian currency) at the Branch of Account, or such other branch or account as Borrower and Lender may agree upon from time to time.

- (i) Lender shall open and maintain at the Branch of Account accounts and records evidencing the Borrowings made available to Borrower by Lender under this Agreement. Lender shall record the principal amount of each Borrowing and the payment of principal, interest and fees and all other amounts becoming due to Lender under this Agreement. Lender's accounts and records (and any confirmations issued under this Agreement) constitute, in the absence of manifest error, conclusive evidence of the indebtedness of Borrower to Lender pursuant to this Agreement.
- (j) Borrower authorizes and directs Lender to automatically debit, by mechanical, electronic or manual means, any bank account of Borrower for all amounts payable by Borrower to Lender pursuant to this Agreement. Any amount due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day, and interest shall accrue accordingly.
- (k) If a Financial Market Disruption has occurred, Lender shall have the option exercisable by written notice to Borrower to refuse any additional funding of any Facility, or to postpone the additional funding of any Facility until, in the reasonable opinion of Lender, the Financial Market Disruption has ceased.
- (l) Lender shall have the right to set-off and apply any funds of the Loan Parties (or any of them) deposited with or held by Lender from time to time, and any other indebtedness owing to the Loan Parties by Lender, against any of the amounts outstanding under this Agreement from time to time.
- (m) If a Guaranteed Note or Letter of Credit is outstanding at any time that the obligations under the Facilities become immediately due and payable pursuant to the terms of the Agreement, Borrower will forthwith pay to Lender cash collateral in an amount equal to the face amount of that Guaranteed Note and the maximum undrawn amount of that Letter of Credit. The proceeds of that payment will be held by Lender for set-off against the liability of Borrower to Lender in respect of that Guaranteed Note and/or Letter of Credit. Lender will credit Borrower with interest on these proceeds at the prevailing rate for comparative term deposits maturing on the maturity date of that Guaranteed Note or on the date that any such Letter of Credit is returned for cancellation by the beneficiary or has expired (as applicable).
- (n) If revolvement of loans is permitted in this Agreement, principal advances and repayments on Prime-based loans and any Guaranteed Note are to be in the minimum sum of Cdn. \$[Redacted] or multiples of it.

13) EVENTS OF DEFAULT

Without restricting the rights of Lender to terminate any Facility which is payable on demand and to demand payment in full of such demand Facility at any time, if any Event of Default occurs and is continuing, Lender may at its option, by notice to Borrower, terminate all or any part of any committed term Facilities under this Agreement and demand immediate payment in full of all or any part of the amounts outstanding under those committed term Facilities. Failing such immediate payment, Lender may, without further notice, realize under the Security Documents to the extent Lender chooses.

14) MISCELLANEOUS

- (a) Borrower acknowledges that the terms of this Agreement are confidential, and Borrower agrees not to disclose the terms hereof or provide a copy hereof to any Person (other than to officers, directors, employees, legal and other advisors of the Borrower on a need to know basis) without the prior written consent of Lender, unless and to the extent required by Applicable Law.

- (b) All reasonable legal and other costs and expenses incurred by Lender in respect of the Facilities, the Security Documents and other related matters will be paid or reimbursed by Borrower on demand by Lender, whether or not any Borrowings are made.
- (c) All Security Documents will be prepared by or under the supervision of Lender's solicitors, unless Lender otherwise permits. Acceptance of this offer will authorize Lender to instruct Lender's solicitors to prepare all necessary Security Documents and proceed with related matters.
- (d) Lender, without restriction, may waive in writing the satisfaction, observance or performance of any of the provisions of this Agreement. The obligations of a Guarantor (if any) will not be diminished, discharged or otherwise affected by or as a result of any such waiver, except to the extent that such waiver relates to an obligation of such Guarantor. Any waiver by Lender of the strict performance of any provision hereof will not be deemed to be a waiver of any subsequent default, and any partial exercise of any right or remedy by Lender shall not be deemed to affect any other right or remedy to which Lender may be entitled. No delay on the part of Lender in exercising any right or privilege will operate as a waiver of that right or privilege, and no delay or waiver of any failure or default will operate as a waiver of any subsequent failure or default unless made in writing and signed by an authorized officer of Lender.
- (e) Borrower shall reimburse Lender for any additional cost or reduction in income or capital arising as a result of:
 - i) the imposition of, or increase in, taxes on payments due to Lender under this Agreement (other than taxes on the overall net income of Lender);
 - ii) the imposition of, or increase in, any reserve or other similar requirement; or
 - iii) the imposition of, or change in, any other condition affecting the Facilities imposed by any Applicable Law or the interpretation thereof;all provided Lender is or will be generally claiming similar compensation from its other borrowers in similar circumstances and no more than 180 days have passed since the date of such imposition, increase or change.
- (f) Words importing the singular will include the plural and vice versa, and words importing gender will include the masculine, feminine and neuter, in each case all as the context and the nature of the parties requires.
- (g) Where more than one Person is liable as Borrower (or as a Guarantor) for any obligation under this Agreement, then the liability of each such Person for such obligation is joint and several with each other such Person.
- (h) If any portion of this Agreement is held invalid or unenforceable in any jurisdiction, the remainder of this Agreement will not be affected and will be valid and enforceable to the fullest extent permitted by law and any such invalidity or unenforceability will not invalidate or render unenforceable that provision in any other jurisdiction. To the extent that any provision of any of the Security Documents conflict or are inconsistent with any of the provisions of this Agreement, this Agreement shall govern and prevail to resolve any such conflict or inconsistency in any and all circumstances, such that the provisions of this Agreement shall be paramount to and supersede the conflicting or inconsistent provision of the Security Documents.

- (i) Where the interest rate of a credit is based on Prime, the applicable rate on any day will depend on the Prime rate in effect on that day, as applicable. The statement by Lender as to Prime and as to the rate of interest applicable to a credit on any day will be binding and conclusive for all purposes.
- (j) All interest rates specified are nominal annual rates. The effective annual rate in any case will vary with payment frequency. All interest payable under this Agreement bears interest after as well as before maturity, default and judgment with interest on overdue interest at the applicable rate payable hereunder. To the extent permitted by law, Borrower waives the provisions of the *Judgment Interest Act* (Alberta). Borrower confirms that it fully understands and is able to calculate the rate of interest applicable to all Borrowings based on the methodology for calculating per annum rates provided for in this Agreement. Borrower hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Agreement or any Security Document, that the interest payable under this Agreement or any Security Document and the calculation thereof has not been adequately disclosed to Borrower as required pursuant to Section 4 of the *Interest Act* (Canada).
- (k) All notices and other communications (each referred to as the "**Notice**") permitted or required to be given to any of the parties hereto will be in writing and may be delivered personally, by registered prepaid mail (except during an actual or threatened postal disruption) or sent by facsimile or e-mail transmission to the addresses, e-mail address or facsimile numbers indicated on the cover letter of this Agreement or to such other address or facsimile number as will be designated by such party by notice in writing to the other parties.

The Notice will be deemed to have been delivered:

- i) in the case of personal delivery, when the Notice is delivered to the party receiving the Notice during business hours on a Business Day;
 - ii) in the case of registered mail, on the second Business Day after the Notice was deposited in the mail; and
 - iii) in the case of facsimile or electronic transmission, on the day the Notice was sent provided such notice is sent before 4:00 p.m. on a Business Day.
- (l) Unless otherwise specified, references in this Agreement to "\$" and "**dollars**" mean Canadian dollars.
 - (m) If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this Agreement, it is necessary to convert into the currency of such jurisdiction (the "**Judgment Currency**") any amount due under this Agreement in any currency other than the Judgment Currency, then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, rate of exchange means the rate at which Lender would, on the relevant date, be prepared to sell a similar amount of such currency against the Judgment Currency, in accordance with normal banking procedures. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which judgment is given and the date of payment of the amount due, Borrower will, on the date of payment, pay such additional amounts as may be necessary to ensure that the amount paid on such day is the amount in the Judgment Currency which, when converted at the rate of exchange prevailing on the date of payment, is the amount then due under this Agreement in such other currency. Any additional amount due from Borrower under this paragraph will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due in connection with this Agreement.

- (n) No Loan Party will assign any of its respective rights or obligations under this Agreement without the prior written consent of Lender. Lender will have the right to assign, sell or participate its rights and obligations in the Facilities to one or more Persons ("**Participants**") without the consent of any Loan Party. For this purpose, Lender may disclose, on a confidential basis, to a potential Participant any information concerning the Loan Parties as Lender considers appropriate. Each Loan Party will execute any documentation and take any actions as Lender may reasonably request in connection with any assignment or participation. The provisions of this Agreement will be binding upon and enure to the benefit of each Loan Party and Lender and their respective successors and permitted assigns.
- (o) In addition to any other indemnity provided for in this Agreement, each Loan Party agrees to indemnify Lender and any receiver, receiver manager or similar Person appointed under Applicable Law, and their respective shareholders, affiliates, officers, directors, employees and agents, and "**Indemnified Party**" means any one of the foregoing, on demand against any loss, expense or liability which such Indemnified Party may sustain or incur as a consequence of the action or inaction of any Loan Party whatsoever, including, without limitation:
- i) any default in payment of the principal amount of any Borrowing or any part thereof or interest accrued thereon, as and when due and payable;
 - ii) any failure to fulfill on or before any drawdown date the conditions precedent to any Borrowing as provided for in this Agreement, if as a result of that failure that Borrowing is not made on that date, including but not limited to any loss or expense sustained or incurred in liquidating or redeploying deposits or other funds contracted for or acquired or used to effect or maintain any part of that Borrowing;
 - iii) the occurrence of any applicable default or Event of Default under this Agreement;
 - iv) any misrepresentation made by a Loan Party in this Agreement or in any instrument in writing delivered to Lender in connection with this Agreement;
 - v) any failure to comply with any Applicable Laws, including, without limitation, any Environmental Law; or
 - vi) any default in the payment or performance of any covenant to pay or remit present or future taxes, or to make and remit withholdings or deductions with respect to any taxes or Priority Payables,

This indemnity will: (i) survive the repayment or cancellation of any of the Facilities or any termination of this Agreement; and (ii) not apply to any Indemnified Party to the extent directly caused by the gross negligence or wilful misconduct on the part of such Indemnified Party.

- (p) A Loan Party's obligations under this Section 14 continue even after all Facilities have been repaid and this Agreement has terminated.
- (q) Each accounting term used in this Agreement, unless otherwise defined in this Agreement, has the meaning assigned to it under GAAP consistently applied throughout the relevant period and relevant prior periods. If there occurs a change in GAAP (an "**Accounting Change**"), and such change would result in a material change in the calculation of any financial covenant, standard or term used in this Agreement, then at the request of Borrower or Lender, Borrower and Lender shall enter into negotiations to amend such provisions so as to reflect such Accounting Change with the result that the criteria for evaluating the financial

condition of Borrower or any other party, as applicable, shall be the same after such Accounting Change, as if such Accounting Change had not occurred. If, however, within 30 days of the foregoing request by Borrower or Lender, Borrower and Lender have not reached agreement on such amendment, the method of calculation shall not be revised and all amounts to be determined shall be determined without giving effect to the Accounting Change. For the purposes of this Agreement, including for the purposes of any calculation of financial covenants, any lease which would be accounted for as an Operating Lease under GAAP as in effect on December 31, 2018 ("**Change Date**"), shall be, notwithstanding any subsequent change in GAAP, deemed to continue to be accounted for in the same manner as an Operating Lease was accounted for as at the date hereof, notwithstanding and regardless of the implementation under GAAP of IFRS 16 (regardless of whether such lease is entered into or assumed before or after the Change Date), and, for certainty, any obligations incurred thereunder shall not constitute Financial Leases.

- (r) A Loan Party's information, corporate or personal, may be subject to disclosure without its consent pursuant to provincial, federal, national or international laws as they apply to the product or service Borrower has with Lender or any third party acting on behalf of or contracting with Lender. The Loan Parties acknowledge that, pursuant to AML Laws, government sanction and "know your client" laws, Lender may be required to obtain, verify and record information regarding the Loan Parties, their respective subsidiaries, directors, authorized signing officers, direct or indirect shareholders or other Persons, in control of any Loan Party and the transactions contemplated thereby. The Loan Parties shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by Lender, or any prospective assignee or participant hereunder, in order to comply with applicable AML Laws, government sanction and "know your client" laws, whether now or hereafter in existence.
- (s) This Agreement will not merge upon the execution and delivery of any other Loan Documents, but will remain in full force and effect thereafter.
- (t) This Agreement supersedes and replaces all prior discussions, letters and agreements (if any) describing the terms and conditions of any Facility established by Lender in favour of Borrower.
- (u) Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed:
 - i) to its affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential);
 - ii) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including the Office of the Superintendent of Financial Institutions or similar body and any self-regulatory authority, such as the National Association of Insurance Commissioners);
 - iii) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process;
 - iv) to any other party hereto;
 - v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder;

- vi) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights and obligations under this Agreement, or (ii) any actual or prospective party (or its Related Parties) to any Swap, derivative or other transaction under which payments are to be made by reference to Borrower and its obligations, this Agreement or payments hereunder;
- vii) to any financial institution, credit reporting agency, rating agency or credit bureau in connection with rating Borrower or its Subsidiaries or the Facilities;
- viii) with the consent of Borrower; or
- ix) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, or (y) becomes available to Lender or any of their respective affiliates on a non-confidential basis from a source other than Borrower.

For purposes of this Section, "**Information**" means all information received from Borrower or any of its Subsidiaries relating to Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to Lender on a non-confidential basis prior to disclosure by Borrower or any of its Subsidiaries; provided that, in the case of information received from Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

- (v) Each Loan Party will from time to time promptly upon request by Lender do and execute all acts and documents as may be reasonably required by Lender to give effect to the Facilities and the Loan Documents, and to any assignment or participation made by Lender pursuant to this Agreement.
- (w) If, after the date hereof, the introduction of or any change in any Applicable Law or in its interpretation or application of any Applicable Law by any court or by any Governmental Authority charged with the administration of any Applicable Law, makes it unlawful or prohibited for Lender to make, to fund or to maintain its commitment or any portion thereof or to perform any of its obligations under this Agreement (any such unlawful or prohibited funding, maintenance or performance being an "**Unlawful Obligation**"), then Lender may, by thirty days written notice to Borrower (unless the provision of the Applicable Law requires earlier prepayment in which case the notice period will be that shorter period as required to comply with the Applicable Law), terminate those of its obligations under this Agreement that constitute Unlawful Obligations, and, in that event, Borrower will prepay Borrowings owing to Lender forthwith (or at the end of that period as Lender in its discretion agrees), without notice or penalty, together with all accrued but unpaid interest and fees as may be applicable to the date of payment, or Lender may, by written notice to Borrower, convert those Borrowings forthwith into another basis of Borrowing available under this Agreement if such other basis of Borrowing would not be an Unlawful Obligation.
- (x) Time shall be of the essence in all provisions of this Agreement.
- (y) This Agreement may be executed by one or more of the parties on any number of separate counterparts (whether in original ink, by facsimile or in another electronic format), and all those counterparts taken together will be deemed to constitute one and the same instrument. The delivery of a facsimile or other electronic copy of an executed counterparty to this

Agreement shall be deemed to be valid execution and delivery of this Agreement, but the party delivering such facsimile or other electronic copy shall make reasonable efforts to deliver an original copy of this Agreement as soon as possible after delivery of such facsimile or other electronic copy.

- (z) This Agreement shall be governed by the laws of Alberta. Each of the Loan Parties and Lender irrevocably and unconditionally agree that any suit, action or other legal proceeding (collectively, a "**Suit**") instituted by Lender and arising out of this Agreement shall be brought and adjudicated only in Alberta, and each Loan Party waives and agrees not to assert by way of motion, as a defence or otherwise at any such Suit, any claim that such Loan Party is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper.

15) SCHEDULES

The following Schedules form part of this Agreement and are incorporated in this Agreement by reference:

- Schedule "A" – Form of Compliance Certificate
- Schedule "B" – Request for Extension
- Schedule "C" – Provisions Relating to Guaranteed Notes
- Schedule "D" – Power of Attorney Applicable to Guaranteed Notes
- Schedule "E" – Form of Environmental Certificate
- Schedule "F" – Form of Oil and Gas Ownership Certificate
- Schedule "G" – Form of Amending Agreement (GSA/Debenture - Fixed Charges)
- Schedule "H" - Existing Swaps

16) DEFINITIONS

In this Agreement, including the Schedules and in all notices given pursuant to this Agreement, capitalized words and phrases shall have the meanings given to them in this Agreement in their proper context, and words and phrases not otherwise defined in this Agreement but defined below shall have the meanings given to them as set forth below.

"Abandonment/Reclamation Order" means any order, directive or demand to post security deposits issued by an Energy Regulator which relates to any Borrowing Base properties, including abandonment and reclamation liabilities associated therewith.

"Abandonment and Reclamation Report" means a report pertaining to the ARO of the Loan Parties in respect of upstream oil and gas wells, facilities, and pipelines, segmented and in sufficient detail as requested by Lender, acting reasonably 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 liability 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 Loan Parties 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 Loan Parties (including gross number of wells, facilities and pipelines operated by each of them).

"**Agreement**" means this agreement between Lender and Borrower, including any attached schedules, as the same may be amended, restated, renewed, extended or supplemented from time to time.

"**AML Laws**" means all laws, rules and regulations relating to money laundering or terrorist financing, including, without limitation, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), Part II.1 of the *Criminal Code* (Canada), the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* (Canada) and the *United Nations Al-Qaida and Taliban Regulations* (Canada).

"**Anti-Corruption Laws**" means all laws, rules and regulations relating to bribery or corruption, including, without limitation, the *Corruption of Foreign Public Officials Act* (Canada).

"**Applicable Facility #1 Margin**" means for any period, the percentage per annum payable to Lender with respect to the outstanding balance under Facility #1 as set forth in the table more particularly detailed at page 2 of this Agreement.

"**Applicable Law**" means all applicable provisions of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of any level of government or governmental authority, agency, board, bureau, department or commission (including any taxing authority) or instrumentality or office of any of the foregoing (including any court or tribunal).

"**Applicable Rate**" means, in respect of a Facility, the yield to a purchaser of a non-callable Government of Canada bond selected by Lender with a term to maturity approximately equal to the remaining period of the term for such Facility, had such Facility not been prepaid, calculated by Lender as at the close of business on the Business Day immediately prior to the date of prepayment, expressed as a rate per annum, calculated daily.

"**ARO**" means at any time the present and future, direct or indirect, absolute or contingent obligations of any Loan Party to abandon, restore, reclaim or otherwise remediate the wells, facilities, pipelines, storage sites and other property on, or in respect of, which such Loan Party carries on business.

"**ARO Budget**" means, at any time, the decommissioning budget setting out in reasonable detail the amount of ARO of the Loan Parties.

"**ARO Schedule**" means, at any time, the decommissioning schedule setting out in reasonable detail the wells, facilities, pipelines, storage sites and other property of the Loan Parties that have associated ARO, which shall include a well and facilities list that is used by the Loan Parties in determining ARO to be included on the Borrower's consolidated balance sheet;

"**ASPE**" means Accounting Standards for Private Enterprise together with their accompanying documents which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the "**IASC Foundation**"), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation but only to the extent the same are adopted by the Canadian Institute of Professional Accountants ("**CPA Canada**") as generally accepted accounting principles in Canada and then subject to such modifications thereto as are agreed by CPA Canada.

"**BBS Cure Period**" has the meaning ascribed to such term in Subsection (t) of the definition of "Event of Default" herein.

"**Borrowing Base**" means the amount, determined and redetermined, as applicable, by Lender from time to time pursuant to Section 1(a)(i) hereunder in the exercise of their sole discretion in

accordance with their usual and customary practices for loans of a similar nature to Facility #1 and which represents Lender's estimate of the net present value of revenues (adjusted to take into account coverage ratios customarily applied by Lender) expected to be derived in the future from the Borrowing Base Assets to which the Lender attributes value, after deducting therefrom such capital expenditures, operating and other expenses and charges, royalties, burdens or encumbrances on or in respect of any of the Borrowing Base Assets or deductible in arriving at revenues obtained therefrom, and such abandonment and reclamation costs in respect thereof, as the Lender determines. In making any determination or redetermination of the Borrowing Base from time to time, the Lender will utilize its reasonable estimate of economic factors, quantity and recoverability of reserves, demand for and deliverability of Petroleum Substances, pricing forecasts, burdens, foreign exchange rates, hedges, escalation or de-escalation of commodity prices and expenses over the economic life of the relevant reserves and other assumptions and factors as the Lender considers affect such determination or redetermination.

"Borrowing Base Assets" means all and only:

- (a) the P&NG Rights of each Loan Party to which any proved reserves are attributed in the engineering report (or the data, information and reports provided pursuant to Section 7 hereof) most recently provided to Lender; and
- (b) the Tangibles and Miscellaneous Interests of each Loan Party which are directly or indirectly attributed any value in the engineering report (or the data, information and reports provided pursuant to Section 7 hereof) most recently provided to Lender and, unless otherwise agreed by Lender, located and primarily used in connection with any reserves described in paragraph (a) of this definition,

in each case, which the Lender has included in the determination of the Borrowing Base.

"Borrowing Base Shortfall" has the meaning ascribed to such term in Subsection (t) of the definition of "Event of Default" herein.

"Borrowings" means all amounts outstanding under the Facilities, or if the context so requires, all amounts outstanding under one or more of the Facilities or under one or more borrowing options of one or more of the Facilities.

"Business Day" means a day, excluding Saturday and Sunday, on which banking institutions are open for business in the Province of Alberta.

"Change of Control" means the occurrence of any of the following events without the written consent of Lender:

- (a) any Person or Persons acting jointly or in concert (within the meaning of the *Securities Act* (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or have the right to hold or exercise control or direction over (whether such right is exercisable immediately or only after the passage of time) more than 25% of the issued and outstanding voting shares of Borrower;
- (b) other than in the case of an Excluded Replacement, individuals who at the beginning of such period constitute the board of directors of a Loan Party cease, for any reason, to constitute at least a majority of the board of directors of such Loan Party unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the **"Incumbent Directors"**) and in particular, any new director who assumes office in connection with or as a result of any actual or threatened proxy or other election contest of

the board of directors of such Loan Party shall never be considered an Incumbent Director;
or

- (c) a Loan Party or Loan Parties cease to own, control and direct 100% of the shares of any Guarantor.

"Closing Date" means the date on which the conditions precedent set forth in Section 4 are satisfied or waived, as the case may be, by Lender, and the initial drawdown hereunder has been completed.

"Commodity Swap" means an agreement entered into between a Person and a counterparty on a case by case basis, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in commodity prices, whether physically or financially settled.

"Compliance Certificate" means the form of compliance certificate executed by a senior officer of Borrower in the form attached as Schedule "A".

"Cryptocurrency Assets" means any cryptocurrency, mining, datacentres and all related assets and facilities.

"Currency Swap" means a contract entered into between a Person and a counterparty on a case by case basis in connection with forward rate, currency swap or currency exchange and other similar currency related transactions, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in exchange rates.

"Current Assets" means, as at the day of calculation, the amount of current assets of Borrower as determined in accordance with GAAP on a consolidated basis, but in any event excluding any amounts arising as a result of the mark-to-market position of Borrower due to Swap contracts.

"Current Liabilities" means, as at the day of calculation, the amount of current liabilities of Borrower as determined in accordance with GAAP on a consolidated basis, but in any event excluding any amounts arising as a result of the mark-to-market position of Borrower due to Swap contracts.

"Debt" means, as at any particular time and as determined on a consolidated basis in respect of the Loan Parties in accordance with GAAP, all obligations, indebtedness and liabilities (without duplication):

- (a) for borrowed money;
- (b) arising pursuant to bankers' acceptance facilities, note purchase facilities and commercial paper programs, or the stated amount of letters of credit, letters of guarantee and surety bonds supporting obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;
- (c) evidenced by bonds, debentures, notes or other similar instruments (whether or not with respect to the borrowing of money whether or not payable by, or convertible into, equity);
- (d) arising under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the obligations of any other Person which would otherwise constitute Debt within the meaning of this definition, and all obligations incurred for the purpose of or having the effect of providing financial assistance;

- (e) arising under or in connection with an absolute or limited recourse sale or factoring of accounts receivable or other asset securitization program (with the amount of Debt thereunder deemed to be equal to the net proceeds received by such person thereunder);
- (f) for or in respect of Financial Leases, Prepaid Obligations or Production Payments;
- (g) for or in respect of the deferred purchase or acquisition price of property (including obligations secured by Purchase Money Security Interests and obligations in respect of a Sale-Leaseback) in excess of 120 days;
- (h) all obligations of any Loan Party for or in respect of the purchase from another Person of any of such other Person's property, assets or undertaking, the purchase price in respect of which has been prepaid by the purchaser; and
- (i) for or in respect of redemption obligations with respect to any shares issued by Borrower or a Subsidiary (excluding shares that may be redeemed in whole or in part in specie) which are not held by Borrower or its Subsidiaries and which are by their terms or pursuant to any contract, agreement or arrangement:
 - (i) redeemable, retractable, payable or required to be purchased or otherwise retired or extinguished, or convertible into Debt in any case, prior to the Maturity Date (A) at a fixed or determinable date, (B) at the option of any holder thereof, or (C) upon the occurrence of a condition not solely within the control and discretion of the Borrower or such Subsidiary, or
 - (ii) convertible into any other shares described in (i) above,

but excluding, for certainty:

- (j) accounts payable and accrued liabilities incurred in the ordinary course of business;
- (k) current taxes payable and deferred taxes;
- (l) dividends payable;
- (m) accrued interest payable;
- (n) the unrealized portion of any hedging gains or losses;
- (o) liabilities in respect of decommissioning liabilities, allowances for dismantlement and site restoration and other deferred credits and liabilities; and
- (p) such other similar liabilities as may be agreed by Lender from time to time.

"Discount Rate" means, with respect to Guaranteed Notes, the per annum rate of interest which is the arithmetic average of the rates per annum applicable to Canadian dollar bankers' acceptances having identical issue and comparable maturity dates as the Guaranteed Notes proposed to be issued by Borrower displayed and identified as such on the display referred to as the **"CDOR Page"** (or any display substituted therefor) of Reuter Monitor Money Rates Service as at approximately 8 a.m. (Calgary time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day, or if the rate referred to is not available, then the rate quoted by Lender.

"EBITDA" means, for any period, as determined in accordance with GAAP on a consolidated basis, the sum of:

- (a) all Net Income for such period;
- (b) all Financing Charges to the extent deducted in determining such Net Income;
- (c) all amounts deducted in the calculation of such Net Income in respect of the provision for income taxes;
- (d) all amounts deducted in the calculation of such Net Income in respect of non-cash items, including depreciation and depletion (other than depreciation and depletion related to any asset being leased under an Operating Lease), accretion, future taxes, non-cash losses resulting from foreign currency obligations (in accordance with GAAP), non-cash losses resulting from the mark-to-market of outstanding Swaps (in accordance with GAAP), stock-based compensation and the write down or impairment of assets;
- (e) all losses attributable to minority interests, to the extent deducted in the calculation of such Net Income; and
- (f) all losses attributable to extraordinary and non-recurring losses, in each case to the extent deducted in the calculation of such Net Income;
- (g) to the extent included in such Net Income, losses from asset sales;

less (on a consolidated basis, without duplication):

- (h) earnings attributable to extraordinary and non-recurring earnings and gains, in each case to the extent included in the calculation of such Net Income;
- (i) earnings attributable to minority interests, to the extent included in the calculation of such Net Income (unless and to the extent actually distributed to the Borrower or a Subsidiary of the Borrower);
- (j) to the extent included in such Net Income, gains from asset sales;
- (k) the net income of any Subsidiary of the Borrower which is not a Loan Party, to the extent that the distribution by that Subsidiary of amounts of such Net Income to the Borrower is restricted by a contract, operation of law or otherwise;
- (l) all cash payments during such period relating to non-cash charges which were added back in determining EBITDA in any prior period; and
- (m) to the extent included in such Net Income, any other non-cash items increasing such Net Income for such period including non-cash gains resulting from the mark-to-market of outstanding Swaps (in accordance with GAAP).

"Energy Regulator" means (a) with respect to Alberta, the Alberta Energy Regulator, (b) with respect to British Columbia, the BC Oil and Gas Commission, (c) with respect to Saskatchewan, the Saskatchewan Ministry of Energy and Resources, and (d) with respect to any other relevant jurisdictions where the Borrower has Borrowing Base Assets, the regulatory body with responsibility for the oversight of environmental matters in the oil and gas industry in such jurisdiction; and in each case, together with any successor agency, department, ministry or commission thereto.

"Environment" means each and every component of the earth, including all layers of the atmosphere, air, land (including all underground spaces and cavities and all lands submerged under water), soil, water (including surface and underground water), organic and inorganic matter and

living organisms, and the interacting natural systems that include the components referred to in this definition.

"Environmental Certificate" means the form of environmental certificate executed by a senior officer of Borrower in the form attached as Schedule "E".

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, claims, liens, security interests, notices of non-compliance or violation, investigations, inspections, inquiries or proceedings relating in any way to any Environmental Laws or to any permit issued under any such Environmental Laws including:

- (a) any claim by a Governmental Authority for enforcement, clean-up, removal, response, remedial or other actions or damages pursuant to any Environmental Laws, and
- (b) any claim by a Person seeking damages, contribution, indemnification, cost recovery, compensation or injunctive or other relief resulting from or relating to Hazardous Materials, including any Release thereof, or arising from alleged injury or threat of injury to human health or safety (arising from environmental matters) or the Environment.

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

"Environmental Order" means an order, directive or instruction issued by a Governmental Authority pursuant to or in respect of any Environmental Law.

"Equivalent Amount" means, with respect to an amount of any currency, the amount of any other currency required to purchase that amount of the first mentioned currency through Lender in accordance with normal banking procedures.

"Event of Default" means the occurrence of any of the following:

- (a) if Borrower defaults in paying when due any part of the principal amount or interest amount due under this Agreement;
- (b) if Borrower defaults in paying when due all or any part of its indebtedness or other liability to Lender (other than as provided under paragraph (a) above) and such default continues for 3 Business Days after notice from Lender;
- (c) if any Loan Party defaults in the observance or performance of any of its covenants or obligations under any Loan Document (other than as provided under paragraph (a) or (b) above), or any other document under which such Loan Party is obligated to Lender, and in any such cases, the default continues for 5 Business Days after notice from Lender;
- (d) any Change of Control;
- (e) if any charge or encumbrance on any property of any Loan Party with a fair market value exceeding \$[Redacted] becomes enforceable and steps are taken to enforce it;
- (f) if any default shall have occurred and is continuing in respect of any Indebtedness of a Loan Party (other than Indebtedness owing to Lender) which results in the acceleration of the payment of such Indebtedness or which permits the holder thereof to accelerate the payment of such Indebtedness and if there is a grace period applicable thereto arising under contract or otherwise, such default continues beyond the expiry of such grace period or if any lender

shall demand repayment of any Indebtedness owed to it by such Loan Party which is repayable on demand and such Indebtedness shall not be paid on or before the date specified by such lender for payment, and the aggregate principal amount of all such Indebtedness is at least \$[Redacted];

- (g) if any default shall have occurred and is continuing in respect of the Existing Swaps which permits the holder thereof to accelerate any payment under the Existing Swaps, and the aggregate principal amount of all the accelerated Indebtedness is at least \$[Redacted];
- (h) if any other creditor of any Loan Party takes collection steps against such Loan Party or all or a material part of its assets with a fair market value exceeding \$[Redacted];
- (i) if final judgment or judgments should be entered against any Loan Party for the payment of any amount of money exceeding \$[Redacted], and the judgment or judgments are not discharged within 30 days after entry;
- (j) if an order is made, an effective resolution passed, or a petition is filed for the winding up the affairs of any Loan Party or if a receiver or liquidator of any Loan Party or any part of its assets is appointed;
- (k) if any Loan Party is unable to pay its debts as they become due or makes a general assignment for the benefit of its creditors or an assignment in bankruptcy or files a proposal or notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* or otherwise acknowledges its insolvency or if a bankruptcy petition is filed or receiving order is made against any Loan Party and is not being disputed in good faith;
- (l) if any Loan Party ceases or threatens to cease to carry on its business or makes a bulk sale of its assets;
- (m) if any of the Governmental Authorizations granted by any Governmental Authority and material to the business of any Loan Party is withdrawn, cancelled, suspended or adversely amended;
- (n) if any event or circumstance occurs which has or would reasonably be expected to have a Material Adverse Effect;
- (o) if any representation or warranty made or given in this Agreement, in any certificate delivered pursuant hereto, or in any financial statements delivered pursuant hereto, is false or erroneous in any material respect when made, given or delivered;
- (p) if any provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms, or a Loan Party asserts in writing that this has happened; or any security interest created under any Security Document ceases to be a valid and perfected security interest having, subject to Permitted Encumbrances, a first priority ranking in any of the property purported to be covered by that security interest, which is not rectified or otherwise dealt with to the satisfaction of Lender within a period of 10 days, other than, in the case of a security interest ceasing to be a perfected security interest, because of any action taken or omission to act by Lender;
- (q) if the audited financial statements of Borrower that are required to be delivered under this Agreement contain a qualification that is not acceptable to Lender, acting reasonably, and within a period of 30 days after the delivery of such financial statements by Borrower hereunder either (i) such qualification is not rectified or otherwise dealt with to the satisfaction of Lender, acting reasonably; or (ii) Borrower has not delivered a plan to Lender

as to how Borrower plans to rectify or otherwise deal with such qualification (such plan to include the time frame within which Borrower proposes to rectify or otherwise deal with such qualification) and such plan is not satisfactory to Lender, acting reasonably, and following delivery and acceptance of such plan, Borrower fails to diligently pursue the same and rectify or otherwise deal with the qualification in accordance with the plan and within the proposed time frame;

- (r) if a Loan Party fails to remit to the applicable Governmental Authority any material Priority Payable owing by it within 15 days of the date that Priority Payable became due;
- (s) if any Environmental Order is issued by any Governmental Authority against a Loan Party and that Environmental Order has not been satisfied or discharged within the time allowed for in that Environmental Order or, if no time is specified in that Environmental Order, within 45 days after the date that Environmental Order was received by a Loan Party, (or any longer period as Lender may agree to, acting reasonably, provided that Loan Party is at all times acting diligently and in good faith to satisfy the Environmental Order); and save and except where that Environmental Order is being contested actively and diligently in good faith by appropriate and timely proceedings and the enforcement of that Environmental order has been stayed; or
- (t) if at any time the Borrowing Base, upon any redetermination hereunder, is less than the aggregate of the Borrowings (determined in Cdn. Dollars with all Borrowings in U.S. Dollars being converted to the Equivalent Amount of Cdn. Dollars), with such deficiency amount being referred to herein as the "**Borrowing Base Shortfall**", then any undrawn credit hereunder shall cease to be available to the Borrower and the Facilities shall be permanently reduced to an amount equal to the Borrowing Base. In addition, the Borrower shall, within 45 days from its receipt of notice of such Borrowing Base Shortfall in writing from Lender (the "**BBS Cure Period**"), eliminate the Borrowing Base Shortfall by:
 - i) providing Lender, or causing another Loan Party to provide Lender, other security or third party guarantees for the Borrowings in form, substance, amount and in respect of assets satisfactory to all Lender in its sole discretion (provided that any additional oil and gas assets offered as security will be evaluated by Lender in accordance with its normal oil and gas evaluation parameters); and/or
 - ii) by effecting a permanent repayment of Borrowings in excess of the new redetermined Borrowing Base.

During the BBS Cure Period, Lender shall not be obligated to make any further Borrowings available under this Agreement (other than conversions or rollovers which do not increase the Borrowings and with maturities not exceeding the last day of the BBS Cure Period). If the Borrowing Base Shortfall is not eliminated as required above within the BBS Cure Period, such failure shall be an Event of Default for the purposes of this Agreement. If the Borrowing Base Shortfall is eliminated as required above within the BBS Cure Period, then the undrawn credit hereunder shall again become available on the terms and conditions hereof to the extent of the Facilities (as permanently reduced to the newly determined Borrowing Base) in accordance with the provisions hereof.

"**Excluded Replacement**" means, with respect to the Borrower, the replacement of those of its directors who have died, have been found to be of unsound mind by a court of competent jurisdiction, have become bankrupt or have otherwise ceased to be qualified to act as a director under Applicable Law.

"**Existing Swaps**" means the Swaps more particularly described in Schedule "H" attached hereto.

"Financial Lease" means any lease of property, real or personal, or any similar arrangement which would, in accordance with GAAP, be required to be classified and accounted for as a capital lease on a balance sheet of a lessee, where the lessee is the Borrower or a Subsidiary of the Borrower. Notwithstanding the foregoing, pursuant to the IFRS 16, any lease that would have qualified and been treated as an Operating Lease prior to IFRS 16, notwithstanding the change in treatment of Financial Leases in accordance with GAAP, will continue to be treated as an Operating Lease until the Maturity Date.

"Financial Market Disruption" means the (i) occurrence, coming into effect or announcement of any event of provincial, national or international consequence, or of any law, regulation, enquiry, proceeding, or political or economic condition, which, in the opinion of Lender, acting reasonably, may or may reasonably be expected to materially and adversely affect the Alberta, Canadian, United States or global financial markets generally, or operates to prevent or restrict the trading in, or materially and adversely affects the pricing of, Government of Canada bonds (or such other instrument which Lender uses as a reference for determining the interest rates hereunder); or (ii) determination by Lender, acting in a commercially reasonable manner in the circumstances, that the cost of funds associated with a Facility is in excess of a level that is commercially acceptable to Lender in the circumstances.

"Financing Charges" means, for any fiscal period, without duplication, interest expense of the Loan Parties determined on a consolidated basis in accordance with GAAP, as the same would be set forth or reflected in a consolidated statement of operations of the Loan Parties and, in any event, shall include:

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

"Generally Accepted Accounting Principles" or **"GAAP"** means generally accepted accounting principles which are in effect from time to time in Canada, including, for certainty, International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE), Accounting Standards for Not-for-Profit Organisations and Accounting Standards for Pension Plans, as applicable, (each only to the extent adopted by the Canadian Institute of Professional Accountants Accounting Standards Board ("**CPA Canada**") or any successor thereto as generally accepted accounting principles in Canada and then subject to such modifications thereto as are agreed by CPA Canada).

"**Governmental Authority**" means:

- (a) any government, parliament or legislature, any regulatory or administrative authority, agency, commission or board and any other statute, rule or regulation making entity having jurisdiction in the relevant circumstances,
- (b) any Person acting under the authority of any of the foregoing or under a statute, rule or regulation thereof, and
- (c) any judicial, administrative or arbitral court, authority, tribunal or commission having jurisdiction in the relevant circumstances.

"**Governmental Authorization**" means, in respect of any transaction, Person or event, any authorization, exemption, license, permit, franchise or approval from, or any filing or registration with, any Governmental 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, and "**Governmental Authorizations**" means any and all of the foregoing.

"**Guaranteed Notes**" means the non-interest bearing promissory notes issued by Borrower to Lender under Lender's guaranteed note program and the provisions relating to Guaranteed Notes as set out in Schedule "C".

"**Guarantor**" means any party that has provided a guarantee in favour of Lender with respect to the Borrowings under this Agreement.

"**Hazardous Materials**" means any and all hazardous substances, toxic waste, contaminants, pollutants or related materials, any products of waste, or any other contaminants, pollutants, substances or products declared to be waste, hazardous or toxic under Environmental Laws.

"**IFRS 16**" means the standards for accounting for leases effective January 1, 2019.

"**Indebtedness**" means all present and future obligations and indebtedness of a Person, whether direct or indirect, absolute or contingent, including all indebtedness for borrowed money, all obligations which are due and payable in respect of Swap or hedging arrangements and all other liabilities which in accordance with GAAP would appear on the liability side of a balance sheet (other than items of capital, retained earnings and surplus or deferred tax reserves).

"**Interest Swap**" means a contract entered into between a Person and a counterparty, on a case by case basis, in connection with interest rate swap transactions, interest rate options, cap transactions, floor transactions, collar transactions and other similar interest rate related transactions, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in interest rates.

"**Lender**" means ATB Financial, formerly Alberta Treasury Branches.

"**Letter of Credit**" means a standby or documentary letter of credit or letter of guarantee issued by Lender on behalf of Borrower.

"**LLR**" means:

- (a) with respect to those assets located in the Province of British Columbia, the liability management rating of a licensee calculated in accordance with the rules and regulations of the British Columbia Oil & Gas Commission, the same may be amended, supplemented or replaced from time to time; and

- (b) with respect to those assets located in the Province of Alberta, the liability management rating of a licensee calculated in accordance with Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process dated February 17, 2016 issued by the Alberta Energy Regulator, as the same may be amended, supplemented or replaced from time to time; and
- (c) with respect to those assets located in the Province of Saskatchewan, means the licensee liability rating of a licensee calculated in accordance with section 117 of the Oil and Gas Conservation Regulations, 2012 (Saskatchewan) and the Saskatchewan Licensee Liability Rating (LLR) Program Guideline PNG025 dated November 2015 issued by the Saskatchewan Ministry of Economy, as the same may be amended, supplemented or replaced from time to time; and
- (d) with respect to those assets located in any jurisdiction other than the Provinces of British Columbia, Alberta or Saskatchewan, as the case may be, the licensee liability rating (or applicable jurisdictional equivalent) of a licensee in such jurisdiction in compliance with all Environmental Laws.

"Loan Documents" means this Agreement, the Security Documents and each instrument, agreement, certificate, application, request, indemnity and other document of any nature or kind now or hereafter executed in connection with this Agreement or any Security Documents, all as amended, supplemented, restated or replaced from time to time.

"Loan Parties" means Borrower and all Guarantors, other than any Guarantors that are natural persons, and **"Loan Party"** means any of them.

"Long Term Debt" means, for a day and as determined in accordance with GAAP on a consolidated basis, all indebtedness, obligations and liabilities of Borrower which would be classified as long term debt upon a balance sheet of Borrower, plus (to the extent not included in Equity),

- (a) the redemption amount of any preferred shares of Borrower which are redeemable at the option of the holder; and
- (b) the amount of any convertible debentures issued.

"Make-Whole Amount" means, in respect of any Facility, the amount, if any, by which the Discounted Value exceeds the principal amount of such Facility then outstanding (calculated immediately before the prepayment is made). For the purpose of this calculation **"Discounted Value"** means the present value of all scheduled payments of principal and interest, including the principal and interest due at maturity, which would have been made under such Facility on and after the date of prepayment, had such prepayment not been made, such present value to be calculated based on the Applicable Rate. In the event of a partial prepayment, the Make-Whole Amount will be calculated on a pro-rata basis, based on the percentage of the principal amount pre-paid.

"Material Adverse Change" means any change, event, violation, circumstance or effect which, when considered individually or when aggregated with other changes, events, violations, circumstances or effects, is or would reasonably be expected to have a Material Adverse Effect.

"Material Adverse Effect" means a material adverse effect on the condition (financial, environmental or otherwise), property, assets, operations, business or prospects of the Loan Parties taken as a whole, or a material adverse effect on the ability of Borrower to repay the Facilities or on the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party.

"Material Contract" means any right, interest, agreement, arrangement or understanding entered into by any Loan Party, whether written or oral, the loss or termination of which (without replacement), or under which the acceleration of any payment obligation, in each case by or of such Loan Party, would have a Material Adverse Effect.

"Material Jurisdiction" means the Province of Alberta and any other jurisdiction where the Loan Parties, in aggregate, own or operate assets, property and undertakings with aggregate associated undiscounted and uninflated abandonment and reclamation liabilities (expressed in nominal dollars) exceeding the Threshold Amount.

"Miscellaneous Interests" means, in respect of any P&NG Rights or Tangibles, all interests, property and rights at such time held by the Loan Parties, whether contingent or absolute, legal or beneficial, present or future which affect or are related to or are associated with such P&NG Rights or Tangibles, including the following property, rights, and assets:

- (a) all present and future contracts, agreements and documents (including Title and Operating Documents and insurance contracts) relating to any of such P&NG Rights or Tangibles or any rights in relation thereto;
- (b) all present and future surface rights which are used or useful in connection with any of such P&NG Rights or Tangibles;
- (c) all present and future permits, licenses, authorizations and deposits relating to any of such P&NG Rights or Tangibles, including in respect of facilities, wells and pipelines, or the export, removal, transportation, purchase or sale of Petroleum Substances;
- (d) all Petroleum Substances in the course of production from any of such P&NG Rights;
- (e) books, maps, records, documents, seismic, geological, engineering, data processing, well, plant and other reports, data, information, computer programs or other records which relate to or are used or useful in connection with any of such P&NG Rights or Tangibles; and
- (f) all extensions, renewals, amendments or replacements of or to any of the foregoing items described in paragraphs (a) through (e) of this definition.

"Net Income" means, for any period, the net income or net loss of the Loan Parties determined on a consolidated basis in accordance with GAAP, as set forth in the consolidated financial statements of the Borrower for such period.

"Oil and Gas Ownership Certificate" means the form of oil and gas ownership certificate executed by a senior officer of Borrower in the form attached as Schedule "F".

"Operating Lease" means any lease or similar arrangement which in accordance with GAAP, is not required to be classified and accounted for as a Financial Lease, where the lessee is the Borrower or a Subsidiary of the Borrower. Notwithstanding the foregoing, pursuant to IFRS 16, any lease that would have qualified and been treated as an Operating Lease prior to IFRS 16, notwithstanding the change in treatment of Financial Leases in accordance with GAAP, will continue to be treated as an Operating Lease until the Maturity Date.

"P&NG Rights" means the entire right, title, estate and interest of the Loan Parties (whether legal or beneficial, contingent or absolute, present or future, vested or not and whether or not an interest in land) in and to all:

- (a) rights to explore for, drill for, produce, save, take or market Petroleum Substances;
- (b) rights to a share, when produced, of Petroleum Substances;
- (c) rights to a share of proceeds of, or to receive payments calculated by reference to the quantity or value of, production from Petroleum Substances when produced;
- (d) rights in lands or documents of title relating thereto, including leases, subleases, licenses, permits, reservations, rights and privileges; and
- (e) rights to acquire any of the rights described in subparagraphs (a) through (d) of this definition,

and includes interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, Production Payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interests; fractional or undivided interests in any of the foregoing; freehold, leasehold or other interests; and options in respect of the foregoing.

"Permitted Encumbrances" means, in respect of any Loan Party, the following:

- (a) liens for taxes, assessments or governmental charges not yet due or delinquent or the validity of which is being contested in good faith if during such contestation there is no risk for forfeiture of any material assets or property of the applicable Loan Party;
- (b) liens arising in connection with workers' compensation, unemployment insurance, pension, employment or other social benefits laws or regulations which are not yet due or delinquent or the validity of which is being contested in good faith if during such contestation there is no risk for forfeiture of any material assets or property of the applicable Loan Party;
- (c) liens under or pursuant to any judgment rendered or claim filed which are or will be appealed in good faith provided any execution thereof has been stayed;
- (d) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent or the validity of which is being contested in good faith by appropriate proceedings if during such contestation there is no risk for forfeiture of any material assets or property of the applicable Loan Party;
- (e) liens arising by operation of law such as builders' liens, carriers' liens, materialmen's liens and other liens of a similar nature which relate to obligations not due or delinquent or the validity of which is being contested in good faith by appropriate proceedings if during such contestation there is no risk for forfeiture of any material assets or property of the applicable Loan Party;
- (f) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which singularly or in the aggregate do not materially

detract from the value of the land concerned or materially impair its use in the operation of the business of such Loan Party;

- (g) security given to a public utility or Governmental Authority when required by such utility or Governmental Authority in connection with the operations of such Loan Party, all in the ordinary course of its business which singularly or in the aggregate do not cause a Material Adverse Effect;
- (h) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (i) liens created or arising in the ordinary course of the oil and gas business in respect of the joint operation of oil and gas properties and related production and processing facilities or arrangements for the processing, treating, transmission or transportation of hydrocarbon substances, provided such liens are not in respect of obligations which are due or delinquent and do not materially reduce the value of the oil and gas properties affected by such liens;
- (j) penalties arising in the ordinary course of business under non-participation or independent operations provisions of operating agreements as a consequence of an election not to participate in drilling or other operations;
- (k) the provisions of operating agreements, pooling agreements, unitization agreements and other similar arrangements entered into in the ordinary course of the oil and gas business which do not materially affect the value of the oil and gas properties which are subject thereto;
- (l) royalties, net profits interests and similar encumbrances and rights to convert any of them to working interests which are created in the ordinary course of the oil and gas business which do not materially affect the value of the oil and gas properties which are subject thereto; provided that if any of the foregoing relate to oil and gas properties, full disclosure thereof is made in any engineering reports required to be delivered to Lender from time to time in respect of such oil and gas properties;
- (m) rights of first refusal and similar preferential rights created in the ordinary course of the oil and gas business;
- (n) Operating Leases;
- (o) capital or Financial Lease transactions (according to GAAP), or sale-leaseback transactions, where the indebtedness represented by all such transactions does not at any time exceed \$[Redacted] in aggregate;
- (p) security interests granted or assumed to finance the purchase of any property or asset (a "**Purchase Money Security Interest**") where:
 - i) the security interest is granted at the time of or within 60 days after the purchase,
 - ii) the security interest is limited to the property and assets acquired, and
 - iii) the indebtedness represented by all Purchase Money Security Interests does not at any time exceed \$[Redacted] in aggregate;
- (q) security interests or liens (other than those hereinbefore listed) of a specific nature (and excluding for greater certainty floating charges) on properties and assets having a fair market

value not in excess of \$[Redacted] in aggregate;

- (r) security interests or liens regarding polymer skid equipment lease(s) in a pre-approved capitalized amount not to exceed \$[Redacted] (USD);
- (s) security interests or liens granted to secure the Existing Swaps, subject to the Intercreditor Agreement; and
- (t) security interests or liens granted by any Loan Party to Lender, for and on behalf of Lender and the other Secured Parties (as defined in the Intercreditor Agreement) (including, without limitation, the Security Documents),

and for certainty, the permission to create a Permitted Encumbrance shall not be construed as a subordination or postponement, express or implied, of the Security Documents to such Permitted Encumbrance.

"Person" means any natural person, corporation (including a business trust and a public benefit corporation), limited liability company, unlimited liability corporation, trust, joint venture, association, company, partnership, joint stock company, firm, enterprise, unincorporated association, Governmental Authority or other entity.

"Petroleum Substances" means petroleum, natural gas, natural gas liquids, bitumen, crude oil, synthetic crude oil, related hydrocarbons and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing, including hydrogen sulphide and sulphur.

"Prepaid Obligations" means "take-or-pay" or similar obligations of a Person whereby such Person is obligated to settle, at some future date, payment in respect of Petroleum Substances, whether by deliveries (accelerated or otherwise) of Petroleum Substances, payment of money or otherwise howsoever, including all such obligations for which such Person is liable without having received and retained a payment therefor or having assumed such obligations.

"Prime" means the prime lending rate per annum established by Lender from time to time for commercial loans denominated in Canadian dollars made by Lender in Canada.

"Priority Payable" means, at any time, any liability of any Loan Party to any Person that ranks, or may rank, in right of payment in any circumstances, equal to or in priority to any liability of a Loan Party to Lender, and may include any Environmental Claims, unpaid wages, salaries and commissions, unremitted source deductions for employment insurance premiums or Canada Pension Plan contributions, vacation pay, arrears of rent, unpaid taxes, withholding tax liabilities, goods and services taxes, all sales and consumption taxes, harmonized sales tax, customs duties, amounts owed in respect of workers' compensation, amounts owed to unpaid vendors who have a right of repossession, and amounts owing to creditors which may claim priority by statute or under a Purchase Money Security Interest.

"Production Payment" means:

- (a) the sale (including any forward sale) or other transfer of any Petroleum Substances, whether in place or when produced, for a period of time until, or of an amount such that, the purchaser will realize therefrom a specified amount of money (however determined, including by reference to interest rates or other factors which may not be fixed) or a specified amount of such product; and

- (b) any other interest in property of the character commonly referred to as a "production payment";

"Related Parties" means, with respect to any Person, such Person's affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's affiliates;

"Release" means any release, seepage, spill, emission, leak, escape, pumping, injection, deposit, disposal, discharge, dispersal, leaching, dumping or migration into the environment including the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands or sub-surface strata.

"Sanctions" means any sanctions or trade embargoes imposed, administered or enforced from time to time by any relevant sanctions authority including, without limitation, under the *United Nations Act* (Canada), the *Special Economic Measures Act* (Canada) and the *Export and Import Permits Act* (Canada).

"Senior Debt" means, at any time, the total Borrowings outstanding to Lender.

"Senior Debt to EBITDA Ratio" means, at any time, the ratio of (i) Senior Debt to (ii) EBITDA.

"Subordinated Debt" means Indebtedness of Borrower:

- (a) the primary terms of which including, without limitation, its interest rate, payment schedule and maturity date, and the proposed use of funds, are all satisfactory to Lender,
- (b) which has been validly and absolutely postponed and subordinated in right of payment and collection to the permanent repayment in full of the Borrowings to the satisfaction of Lender, and
- (c) which is unsecured or with respect to which all security, if any, held for that Indebtedness has been fully subordinated to the security granted under the Loan Documents to the satisfaction of Lender.

"Subsidiary" means

- (a) a person of which another Person alone or in conjunction with its other subsidiaries owns an aggregate number of voting shares sufficient to elect a majority of the directors regardless of the manner in which other voting shares are voted; and
- (b) a partnership of which at least a majority of the outstanding income interests or capital interests are directly or indirectly owned or controlled by such Person,

and includes a Person in like relation to a Subsidiary.

"Swap" means a Commodity Swap, Currency Swap or Interest Swap.

"Tangibles" means, in respect of a Loan Party at any time, all right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, of such Loan Party at such time in and to any tangible property, apparatus, plants, equipment, machinery and fixtures, fixed or non-fixed, real or personal, used or capable of use in exploiting any Petroleum Substances including:

- (a) systems, plants and facilities used or useful in producing, gathering, compressing, processing, treating, refining, storing, transporting or shipping Petroleum Substances;

- (b) tangible property and assets used or intended for use in exploration, producing, storing, injecting or removing Petroleum Substances; and
- (c) all extensions, additions and accretions to any item described in items (a) or (b) above.

"Title and Operating Documents" means, in respect of any P&NG Rights or Tangibles at any time, all of the documents (including leases, reservations, permits, licenses of all sorts, exploration agreements, operating agreements, unit agreements, production sharing agreements, pooling agreements, assignments, trust declarations or other agreements to recognize a Loan Party's interest, participation agreements, farmin or farmout agreements, royalty agreements, purchase agreements and transfers; gas, oil, condensate and other production sale contracts; gathering, common stream, transportation and processing agreements; and agreements for the construction, ownership and/or operation of Tangibles):

- (a) by virtue of which P&NG Rights or Tangibles were acquired or constructed or held at such time;
- (b) to which the construction, ownership, operation, exploitation, development, production, transportation or marketing of P&NG Rights or Tangibles are subject; or
- (c) which grant rights which are or may be used by such Loan Party in connection with such P&NG Rights or Tangibles,

and including the rights (except for P&NG Rights) granted under or created by such documents.

"Threshold Amount" means an amount equal to five percent (5%) of the amount of the Borrowing Base as most recently determined or redetermined and then in effect.

"Western Canadian Sedimentary Basin" means the sedimentary basin underlying 1,400,000 square kilometres of Western Canada including southwestern Manitoba, southern Saskatchewan, Alberta, northeastern British Columbia and the southwest corner of the Northwest Territories.

"Working Capital Ratio" means, at any time, the ratio of (i) Current Assets plus any undrawn availability under the Facilities, to (ii) Current Liabilities less (to the extent included therein) any amount drawn under the Facilities.

SCHEDULE "A"

CONTAINING FORM OF COMPLIANCE CERTIFICATE

To: ATB Financial
Corporate Financial Services
[Redacted]

I, _____ hereby certify as of the date of this certificate as follows:

- (a) I am the _____ *[insert title]* of Hemisphere Energy Corporation ("**Borrower**") and I am authorized to provide this certificate to you for and on behalf of Borrower.
- (b) This certificate applies to the **[month/fiscal quarter/fiscal year]** ending _____.
- (c) I am familiar with and have examined the provisions of the letter agreement (the "**Agreement**") dated July 27, 2021 between Borrower and ATB Financial, as lender, and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of Borrower and of any Guarantor. Terms defined in the Agreement have the same meanings when used in this certificate.
- (d) No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition of the Agreement and there is no reason to believe that during the next fiscal quarter of Borrower, any such event or circumstance will occur.

OR

We are or anticipate being in default of the following terms or conditions, and our proposed action to meet compliance is set out below:

Description of any breaches and proposed action to remedy: _____

- (e) Our financial ratios are as follows:
 - i) the Working Capital Ratio is _____:1.00, being not less than the required ratio of 1.00:1.00; and
 - ii) the Senior Debt to EBITDA Ratio is (calculated on a trailing four fiscal quarter basis) is _____:1.00.
- (f) The detailed calculations of the foregoing ratios and covenants are set forth in the addendum annexed hereto and are true and correct in all respects.

(g) Our LLR in:

i) Alberta is **[2.0]**;

ii) **[insert other jurisdiction(s)]** is _____.

This certificate is given by the undersigned officer in his/her capacity as an officer of the Borrower without any personal liability on the part of such officer.

This certificate may be executed electronically; this certificate may be delivered by email, facsimile or other functionally equivalent electronic means.

Dated this ____ day of _____, 20____.

HEMISPHERE ENERGY CORPORATION

Per: _____

Name: _____

Title: _____

APPENDIX*[Insert detailed calculations of financial ratios]*(I) THE **WORKING CAPITAL RATIO** IS 1.00:1, CALCULATED AS FOLLOWS:

Current Assets:	\$ _____
but excluding mark-to-market impact of hedging	+/- \$ _____
+ undrawn availability under Facilities	+ \$ _____
	= \$ _____
divided by:	
Current Liabilities, excluding any amount drawn under Facilities:	\$ _____
but excluding mark-to-market impact of hedging	+/- \$ _____
	= \$ _____

(II) THE RATIO OF **SENIOR DEBT TO EBITDA** IS ____:1.00, CALCULATED AS FOLLOWS:

Senior Debt = the total Borrowings outstanding to Lender \$ _____

EBITDA =

+ all Net Income	+ \$ _____
+ (to extent deducted in determining net income)	
● all Financing Charges	+ \$ _____
● income taxes	+ \$ _____
● non-cash items, including depreciation and depletion (other than depreciation and depletion related to any asset being leased under an Operating Lease), accretion, future taxes, non-cash losses resulting from foreign currency obligations (in accordance with GAAP), non-cash losses resulting from the mark-to-market of outstanding Swaps (in accordance with GAAP), stock-based compensation and the write down or impairment of assets	+ \$ _____
● all losses attributable to minority interests	+ \$ _____
● all losses attributable to extraordinary and non-recurring losses	+ \$ _____
● losses from asset sales	+ \$ _____

less (on a consolidated basis, without duplication, to the extent included in the calculation of such Net Income):

- earnings attributable to extraordinary and non-recurring earnings and gains - \$ _____
 - earnings attributable to minority interests - \$ _____
 - gains from asset sales - \$ _____
 - the net income of any Subsidiary of the Borrower which is not a Loan Party - \$ _____
 - all cash payments during such period relating to non-cash charges which were added back in determining EBITDA in any prior period - \$ _____
 - any other non-cash items increasing such Net Income for such period including non-cash gains resulting from the mark-to-market of outstanding Swaps (in accordance with GAAP) - \$ _____
- = \$ _____

SCHEDULE "B"

REQUEST FOR EXTENSION

Date:

ATB Financial
Corporate Financial Services
[Redacted]

Attention: **[Redacted]**

Dear Sirs:

We refer to the letter loan agreement dated as of July 27, 2021 between Hemisphere Energy Corporation as Borrower and ATB Financial as Lender (the "**Agreement**"). Capitalized terms used herein have the same meaning as in the Agreement.

In accordance with the Agreement, we hereby request that Lender provide an offer to extend the Term Date under Facility #1 for a period of up to 365 days.

We hereby certify that:

1. except as disclosed to Lender in writing, the representations and warranties contained in the Agreement are true and correct on the date hereof and will be true and correct on the date of extension, as applicable, with the same effect as if such representations and warranties were made on such dates; and
2. no event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition of the Agreement or any Security Document granted in connection therewith and there is no reason to believe that during the next fiscal quarter of Borrower, any such event or circumstance will occur.

If you will offer this extension on the existing terms and conditions, please execute the counterpart of this request for extension and return it to us in accordance with the provisions of the Agreement.

Yours truly,

HEMISPHERE ENERGY CORPORATION

Per: _____

Name: _____

Title: _____

Lender hereby offers to extend the Term Date under Facility #1 of the Agreement for a period of three hundred sixty-five (365) days from the date of your acceptance of this Agreement. This Agreement is open for acceptance until _____, being the day prior to the current Term Date.

ATB FINANCIAL

Per: _____
Name: _____
Title: _____

Accepted on _____, _____.

HEMISPHERE ENERGY CORPORATION

Per: _____
Name: _____
Title: _____

SCHEDULE "C"

PROVISIONS RELATING TO GUARANTEED NOTES

PROVISIONS RELATING TO GUARANTEED NOTES

If Guaranteed Notes are available under the Agreement, Borrower will issue non-interest bearing promissory notes to Lender in multiples of \$*[Redacted]*, subject to a minimum of \$*[Redacted]*, with a minimum term of 30 days and up to 180 day maturity dates. Lender is authorized to hold or negotiate any such promissory notes.

On the date of drawdown, Lender shall make an advance to Borrower in an amount equal to the proceeds which would have been realized from a hypothetical sale of those Guaranteed Notes at the Discount Rate, less the acceptance fees payable under this Agreement.

Borrower agrees to be bound by the power of attorney set out in Schedule "D" to the Agreement.

Guaranteed Notes shall remain in effect until the maturity of the term selected and notwithstanding anything to the contrary contained in this Agreement, may not be repaid prior to their maturity. On the maturity date thereof, Borrower shall pay Lender the face amount of each Guaranteed Note. If Lender does not receive written instructions from Borrower prior to maturity concerning the renewal of the Guaranteed Notes, then the face amount of the Guaranteed Notes shall be automatically deemed to be outstanding as a Prime-based loan under the relevant Facility until written instructions are received from Borrower.

SCHEDULE "D"

POWER OF ATTORNEY APPLICABLE TO GUARANTEED NOTES

Borrower hereby appoints Lender, acting by its duly authorized signing officers (the "**Attorney**") for the time being at the Branch of Account, the attorney of Borrower:

- (a) to sign for and on behalf and in the name of Borrower as drawer, guaranteed notes in Lender's standard form for advances in the nature of Guaranteed Note advances (the "**Notes**") payable to Lender or its order evidencing Guaranteed Note advances made by Lender to Borrower; and
- (b) to fill in the amount, date and maturity date of such Notes;

provided that such acts in each case are to be undertaken by Lender in accordance with instructions given to Lender by Borrower as provided in this power of attorney.

Instructions to Lender relating to the execution and completion by Lender on behalf of Borrower of Notes which Borrower wishes to issue to Lender shall be communicated by Borrower to Lender in writing at the Branch of Account following delivery by Borrower of a notice in respect of a drawdown or conversion and shall specify the following information:

- (a) a Canadian Dollar amount, which shall be the aggregate face amount of the Guaranteed Note advances to be made by Lender in respect of a particular drawdown or conversion;
- (b) a specified period of time, which shall be the number of days after the date of such Notes that such Notes are to be payable, and the dates of issue and maturity of such Notes; and
- (c) payment instructions specifying the account number of Borrower and the financial institution at which the proceeds of such Guaranteed Note advances are to be credited.

The communication in writing by Borrower to Lender of the instructions referred to above shall constitute the authorization and instruction of Borrower to Lender to complete and execute Notes in accordance with such information as set out above. Borrower acknowledges that Lender shall not be obligated to make any Guaranteed Note advances and therefore complete and execute any Notes evidencing the same. Lender shall be and is hereby authorized to act on behalf of Borrower upon and in compliance with instructions communicated to Lender as provided in this Agreement if Lender reasonably believes them to be genuine.

Borrower agrees to indemnify Lender and its directors, officers, employees, affiliates and agents and to hold it and them harmless from any loss, liability, expense or claim of any kind or nature whatsoever incurred by any of them as a result of any action or inaction in any way relating to or arising out of this power of attorney or the acts contemplated hereby; provided that this indemnity shall not apply to any such loss, liability, expense or claim which results from the negligence or willful misconduct of Lender or any of its directors, officers, employees, affiliates or agents.

This power of attorney may be revoked by Borrower at any time upon not less than five (5) Business Days' written notice served upon Lender at the Branch of Account provided that (i) it may be replaced with another power of attorney forthwith and (ii) no such revocation shall reduce, limit or otherwise affect the obligations of Borrower in respect of any Note executed and completed in accordance herewith prior to the time at which such revocation becomes effective. This power of attorney may be terminated by Lender at any time upon not less than five (5) Business Days' written notice to Borrower.

Any revocation or termination of this power of attorney shall not affect the rights of Lender and the obligations of Borrower with respect to the indemnities of Borrower above stated with respect to all matters arising prior in time to any such revocation or termination.

This power of attorney shall be governed in all respects by the laws of the Province of Alberta and the laws of Canada applicable therein and each of Borrower and Lender hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of such jurisdiction in respect of all matters arising out of this power or attorney.

SCHEDULE "E"

FORM OF ENVIRONMENTAL CERTIFICATE

TO: ATB FINANCIAL

Re: Commitment Letter dated July 27, 2021 between Hemisphere Energy Corporation, as borrower (the "**Borrower**") and ATB Financial (the "**Lender**") (such Commitment Letter, as it may be amended, modified, supplemented, modified, restated or replaced from time to time, is referred to as the "**Commitment Letter**").

This Environmental Certificate is given pursuant to Section 7 of the Commitment Letter. Capitalized terms used herein and not otherwise defined herein have the meanings given to them by the Commitment Letter.

- (a) I am the duly appointed _____ of Borrower and hereby make the following certifications in such capacity for and on behalf of Borrower and not in my personal capacity and without assuming any personal liability whatsoever.
- (b) The following certifications are made to the best of my knowledge, information and belief, after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Loan Parties to confirm that the internal environmental reporting and response procedures of the Loan Parties have been followed in all material respects as they relate to the certifications made herein and that the matters herein set forth are true and correct in all material respects, and that matters reported on by such officers and staff are true and correct in all material respects.
- (c) The Loan Parties have each complied with all Environmental Laws relating to its assets, business and operations, except to the extent that the failure to do so would not, in the aggregate, have a Material Adverse Effect, and:
 - (i) each of the Loan Parties possess all environmental licences, permits and other Governmental Authorizations necessary to conduct their respective businesses, including operations at its properties and facilities, other than such licences, permits and other Governmental Authorizations the absence of which would not in the aggregate, have a Material Adverse Effect,
 - (ii) none of the Loan Parties have received any notices to the effect that the operations or the assets of any Loan Party on its real property are: (i) not in full compliance with all Environmental Laws except to the extent that any failure to do so would not have, in the aggregate, a Material Adverse Effect or (ii) the subject of any federal or provincial remedial or control action or order, or any investigation or evaluation as to whether any remedial action is needed to respond to a Release or threatened Release of any Hazardous Materials into the Environment or any facility or structure, except to the extent any failure to comply would not have a Material Adverse Effect, and
 - (iii) none of the Loan Parties have received any notices or claims that it is or may be liable to any Person in any material amount (including any individual or government, whether federal, provincial, city or municipal) as a result of the Release or threatened Release of any Hazardous Materials into the Environment or into any facility or structure nor have there been any Releases of any Hazardous Materials into the Environment or into any facility or structure, which after lapse of time, would give rise to any Environmental Claims which would

have a Material Adverse Effect nor has any Loan Party been made aware that there is any basis for any such Environmental Claims being commenced nor has any Loan Party ever been convicted of any offence in respect of Environmental Claims.

- (d) This Environmental Certificate is signed by the undersigned officer of Borrower in his capacity as an officer of Borrower without personal liability to the undersigned officer.
- (e) This certificate may be executed electronically; this certificate may be delivered by email, facsimile or other functionally equivalent electronic means.

DATED this ____ day of _____, 20____

HEMISPHERE ENERGY CORPORATION

Per: _____
Name:
Title:

SCHEDULE "F"

FORM OF OIL AND GAS OWNERSHIP CERTIFICATE

TO: ATB Financial ("**ATB**")

RE: Commitment letter dated July 27, 2021 (the "**Commitment Letter**") between Hemisphere Energy Corporation, as borrower (the "**Borrower**") and ATB Financial (the "**Lender**") (as amended, modified, supplemented or restated from time to time)

This certificate is delivered pursuant to Section 4(o)/7(a)(ii) of the Commitment Letter.

The undersigned, _____, being the _____ of Borrower hereby certifies for and on behalf of Borrower and each Loan Party (collectively, the "**Loan Parties**") and not in any personal capacity and without assuming any personal liability whatsoever, as follows:

1. I have made or caused to be made due inquiries and review of all documents, correspondence and other material (the "**Title Enquiries**") relating to the hydrocarbons and lands or interests in lands (the "**Lands**") described in [**describe Engineering Reports**] with respect to the Loan Parties' proved plus probable reserves (collectively, the "**Engineering Reports**").
2. Attached hereto is a complete listing of all of the petroleum and natural gas rights of Loan Party and each constituting interests in land (including legal descriptions, Crown lease numbers, issue dates, zone restrictions, names of freehold lessors, its before and after payout working interests, and all royalties and burdens encumbering such interests).
3. Based upon the Title Enquiries, I have no knowledge, information or belief that there exists any provision in any agreement, contract or document pertaining to the Lands which prevents the Loan Parties from providing a security interest over such Lands to ATB, or which would prevent the Lender from enforcing and realizing on such security in the event of a default thereunder other than the requirement to obtain the consent and/or waiver of a right of first refusal in the event of the sale of the Lands on the realization and enforcement of such security.
4. Based upon the Title Enquiries, to the best of my knowledge, information and belief, the Loan Parties are, effective as of the date hereof, possessed of and are beneficial owners of the respective working, royalty and other interests set forth in the Engineering Reports with respect to the Lands, subject to any Permitted Encumbrances and to minor title defects.
5. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, there is no default (by the Loan Parties or for which the Loan Parties are liable, including by any operator of the Lands) of payment of royalties in connection with the Lands which have accrued due by reason of production since any royalty payment dates, as prescribed by statute or agreement, immediately preceding the date of this certificate which would reasonably be expected to have a Material Adverse Effect and no Loan Party nor any Person on behalf of a Loan Party (including any operator of the Lands) has received notice of default of any obligation imposed on it by any farmout, operating agreement or any other contract or agreement in respect of the Lands which, in any case, could reasonably be expected to have a Material Adverse Effect and, to the best of my knowledge, information and belief, based on the due and reasonable enquiries, there is no default of any such obligation which would reasonably be expected to have a Material Adverse Effect.
6. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, no Loan Party nor any Person on behalf of a Loan Party (including any operator of the Lands) has received notice of any claim adverse to a Loan Party's working, royalty and other interests in the Lands which if successfully asserted would reasonably be expected to have a Material Adverse

Effect and there are no security interests or adverse claims, other than the Permitted Encumbrances, which affect the title of any Loan Party to their respective interests in the Lands which in any way would reasonably be expected to have a Material Adverse Effect.

7. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, there are at present no outstanding unfulfilled obligations being enforced under any lease or contract pertaining to the Lands which would reasonably be expected to have a Material Adverse Effect and any Loan Party's working, royalty and other interests in the Lands are not subject to any contractual obligations or conditions which are reasonably expected to result in the diminishment or forfeiture of any material working, royalty and other interests, except those, without duplication, which are not prohibited by the Commitment Letter or which are accounted for in the Engineering Reports.
8. All of the working, royalty and other interests of the Loan Parties in respect of petroleum and natural gas rights described in the Engineering Reports are accurately reflected in the Engineering Reports in all material respects.
9. All the historical data provided by each Loan Party to the independent petroleum engineer providing such Engineering Report for use in connection therewith was prepared from information reasonably believed to be complete and accurate in all material respects.
10. All data in the possession of or available to each Loan Party which is material to the preparation of such Engineering Report has been made available to such independent petroleum engineer.
11. Capitalized words and phrases used herein and not otherwise defined herein have the meanings given to them in the Commitment Letter.
12. This certificate may be executed electronically; this certificate may be delivered by email, facsimile or other functionally equivalent electronic means.

DATED this ____ day of _____, 20__.

HEMISPHERE ENERGY CORPORATION

By: _____
Name:
Title:

SCHEDULE "A"

<u>AREA</u>	<u>LEGAL</u>	<u>BORROWER'S TITLE</u>	<u>ENCUMBRANCES</u>	<u>DESCRIPTION</u>	<u>DOCUMENTS</u>
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SCHEDULE "G"

FORM OF AMENDING AGREEMENT (GSA/DEBENTURE - FIXED CHARGES) AMENDING AGREEMENT (GENERAL SECURITY AGREEMENT/DEBENTURE)

WHEREAS HEMISPHERE ENERGY CORPORATION (the "**Borrower**") is or is about to become indebted to ATB FINANCIAL ("ATB" or the "**Lender**") and as security therefor ATB holds, *inter alia*, a general security agreement [**demand debenture**] from the undersigned dated the ____ day of _____, 20__ (the "**Collateral Security**").

IN CONSIDERATION of the sum of **ONE (\$1.00) DOLLAR** and other good and valuable consideration, the receipt of which is hereby acknowledged by the undersigned:

1. The undersigned does, subject to the terms and conditions of the Collateral Security, as additional security for the payment of the monies thereby secured and all other monies from time to time owing to ATB is secured hereby and the performance by the Borrower of all its obligations to ATB, the Borrower:
 - (a) mortgages, pledges and charges as and by way of a first fixed and specific mortgage and charge to and in favour of the Lender all of its right, title, estate and interest in and to (i) the lands and (ii) the oil and gas properties relating to the lands as more particularly described in Schedule "A" hereto (collectively, the "**Specifically Mortgaged Property**"); and
 - (b) mortgages and charges as and by way of a first floating charge to and in favour of the Lender the undertaking and all the property and assets, rights and things of the Borrower both present and future, legal or equitable, of which the Borrower may be possessed or to which it may be entitled or which may hereafter be acquired by the Borrower (other than the Specifically Mortgaged Property) including, without limitation, the oil and gas properties and all its right, title, estate and interest in and to any and all real, personal or mixed property, now owned or hereafter acquired by the Borrower, and all its present and future revenues, incomes, moneys, rights, franchises, goods, wares, merchandise, inventories, materials, supplies, book debts, accounts and accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, chattel paper, shares and investments, and all other property and things of value of every kind and nature, tangible or intangible, legal or equitable and all proceeds and all products of, and all accessions to, any of the foregoing;

TO HAVE AND TO HOLD all and singular the Specifically Mortgaged Property hereof and all rights hereby conferred unto the Lender, forever.

2. The amount secured by this Amending Agreement is and shall be \$▪ [**insert maximum credit available to Borrower for LTO registration purposes**]
3. The undersigned further covenants and agrees that this Amending Agreement shall be read and construed with the Collateral Security and the schedules attached thereto and shall be treated as a part thereof and for such purpose and so far as may be necessary to give effect to this Amending Agreement, the Collateral Security and the schedules attached thereto and any other collateral securities delivered by the undersigned to ATB shall be regarded as being hereby amended and the Collateral Security and the schedules attached thereto and the other collateral securities so amended together with all the covenants and conditions thereof shall remain in full force and effect.
4. This Amending Agreement is a composite mortgage and security agreement covering the collateral of the Borrower located in various Provinces and Territories of Canada and other jurisdictions and, as to portions of the Collateral located in such separate jurisdictions, this

Amending Agreement shall be a separate mortgage and security agreement enforceable against the Borrower without regard to the application of this Amending Agreement to portions of the Collateral located in other jurisdictions. All provisions hereof shall be applicable separately to the portions of the Collateral located in each separate jurisdiction with the same effect as if a separate mortgage and security agreement with respect thereto had been executed and delivered by the Borrower to the Lender. Upon the reasonable request of the Lender, the Borrower shall prepare, execute, deliver and register, at its expense, a separate mortgage and security agreement covering the portion of the Collateral located in any such jurisdiction or jurisdictions, such separate mortgage and security agreement to be substantially in the form hereof except for such modifications as shall be required by the fact that such mortgage and security agreement relates only to the property of the Borrower located in such jurisdiction or jurisdictions or as may be required by the Lender in connection herewith.

5. To the full extent that it may lawfully do so, the Borrower hereby:

- (a) agrees that the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in such Act) taken with respect to any security interest or mortgaged property herein; and
- (b) agrees that the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to:
 - (i) this Amending Agreement, as amended, or any instrument or agreement in implementation hereof,
 - (ii) any security interest or security for the payment of money made, given or created pursuant to any of the foregoing instruments,
 - (iii) any instrument or agreement entered into at any time hereafter by the Borrower renewing or extending or collateral to this Amending Agreement, as amended, or to any of the foregoing instruments, or
 - (iv) the rights, powers or remedies of the Lender or any receiver under any of the foregoing instruments.

IN WITNESS WHEREOF the undersigned has executed this Amending Agreement as of the _____ day of _____, 20_____.

HEMISPHERE ENERGY CORPORATION

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "A"
SPECIFICALLY MORTGAGED PROPERTY

