

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

BETWEEN:

PACE SAVINGS & CREDIT UNION LIMITED

Applicant

and

**CLEARBEACH RESOURCES INC., FORBES RESOURCES CORP. and
EASTERN OILFIELD SERVICES LTD.**

Respondents

APPLICATION UNDER SUBSECTION 47(1) AND 243(1) OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

**MOTION RECORD
(Returnable December 17, 2020)**

December 10, 2020

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Inc. and Forbes Resources Corp.

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SUPERIOR COURT OF JUSTICE
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As at December 10, 2020	
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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

BETWEEN:

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**NOTICE OF MOTION
(Returnable December 17, 2020)**

Clearbeach Resources Inc. ("**Clearbeach**") and Forbes Resources Corp. ("**Forbes**", and together with Clearbeach, the "**Debtors**") will make a motion before the Honourable Madam Justice Gilmore of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on Thursday, December 17, 2020, at 11:00 a.m. or as soon after that time as the motion can be heard. Please refer to the videoconference details attached at Schedule "B" hereto in order to attend the motion and advise if you intend to join the motion by emailing Richard Swan at swanr@bennettjones.com.

PROPOSED METHOD OF HEARING: The motion is to be heard by videoconference due to the COVID-19 pandemic.

THE MOTION IS FOR:

1. An order (the "**Bankruptcy Transition Order**") substantially in the form of the draft order attached at Schedule "A" hereto, *inter alia*:

- (a) terminating the stay of the Proposal Proceedings (as defined below) and declaring the Debtors bankrupt as of the date of the Bankruptcy Transition Order;
- (b) appointing Richter Advisory Group Inc. ("**Richter**") as trustee in bankruptcy (in such capacity, the "**Bankruptcy Trustee**") of each of the Debtors;
- (c) declaring that the Bankruptcy Trustee shall not be deemed to be in possession or control of any of the assets, properties and undertakings, including the oil and gas wells or other property of the Debtors (collectively, the "**Property**");
- (d) deeming that the Bankruptcy Trustee has disclaimed its interests in all of the Property upon the issuance of the Bankruptcy Transition Order;
- (e) declaring that the Bankruptcy Trustee shall not be liable for any closure or environmental and land rehabilitation-related liabilities or obligations in respect of or in any way related to the Property;
- (f) approving the First Report of Richter in its capacity as proposal trustee to be filed (the "**First Report**") for each of Clearbeach and Forbes;
- (g) approving the operating agreement between Clearbeach and Eastern Oilfield Services Ltd. ("**Eastern**") (the "**Operating Agreement**") and authorizing Clearbeach to carry out its obligations set out therein;
- (h) terminating any prior agreements or arrangements between Clearbeach and Lagasco Inc. ("**Lagasco**") and Eastern pursuant to which personnel and services are provided to Clearbeach in connection with the management, operation and maintenance of Clearbeach's oil and gas wells and associated infrastructure, and

declaring that each of Lagasco and Eastern shall be entitled to payment by Eastern of all fees and expenses outstanding or incurred prior to the date of the Bankruptcy Transition Order; and

- (i) directing PACE Savings & Credit Union Limited ("**PACE**") to surrender and pay to Clearbeach the all inclusive sum of \$263,457.53, or such other current sum as may be advised, which PACE improperly seized from Clearbeach following the commencement of the Proposal Proceedings;

2. If necessary, an order continuing the stay of proceedings afforded to the Debtors pursuant to the endorsement of the Honourable Madam Justice Conway dated November 19, 2020;

3. Such further and other relief as the Court deems just;

THE GROUNDS FOR THE MOTION ARE:

Background

4. Clearbeach is a privately-owned company incorporated under the *Business Corporations Act*, R.S.O. 1990, c. B. 16. Clearbeach is involved in the exploration, development and production of oil and gas deposits and owns approximately 404 oil, natural gas, disposal and injection wells in Southwestern Ontario;

5. PACE is the senior secured creditor of the Debtors. On July 13, 2020, PACE sent demand letters and accompanying notices of intention to enforce security under subsection 244(1) of the BIA to each of the Debtors;

6. On July 16, 2020, PACE commenced an application (the "**Initial Receivership Application**") seeking an order, among other things, appointing a receiver over all of the Property pursuant to subsection 243(1) of the BIA;

7. In response to the Initial Receivership Application, each of Clearbeach and Forbes filed a Notice of Intention to make a proposal pursuant to subsection 50.4(1) of the BIA on July 22, 2020 and July 23, 2020 respectively (the "**Proposal Proceedings**"). Among other things, the Proposal Proceedings afforded the Debtors a stay of proceedings (the "**Stay of Proceedings**");

8. By notice of motion dated August 7, 2020, PACE commenced an application (the "**Receivership Application**") seeking an order, *inter alia*:

- (a) declaring terminated, the Stay of Proceedings or any extension thereof; and
- (b) appointing BDO Canada Limited as receiver, without security, of all of the Property pursuant to subsection 243(1) of the BIA;

9. On September 23, 2020, without any advance notice, PACE issued a Notice of Abandonment advising that it was abandoning the Receivership Application;

Clearbeach's Immediate Environmental Obligations

10. As an explorer, developer and producer of oil and gas deposits in Ontario, Clearbeach is subject to a comprehensive scheme of environmental obligations under the *Oil, Gas and Salt Resources Act*, R.S.O. 1990, c. P. 12 (the "**OGSRA**"), O. Reg. 245/97 thereunder and the *OGSRA Provincial Operating Standards Version 2.0*. Clearbeach's compliance with these statutory obligations is monitored and enforced by the Ministry of Natural Resources and Forestry ("**MNRF**");

11. On October 14, 2020, the MNRF issued Inspector's Order I41-20-12920-001 under the OGSRA in respect of ten wells under the control of Clearbeach (the "**Inspector's Order**"). In addition to the Inspector's Order, Clearbeach has several deficiency lists with the MNRF due to certain of its inactive wells and other compliance issues;

12. The estimated cost to Clearbeach of complying with the Inspector's Order and the MNRF's current deficiency lists is approximately \$404,000 to plug five of the ten wells, and return the other five wells to production. Additionally, Clearbeach has a number of other wells that, due to decreases in commodity prices, have become uneconomic and will require plugging in the near future;

The Operating Agreement

13. Clearbeach does not have any employees. Clearbeach has contractual arrangements with Lagasco and Eastern, pursuant to which personnel and services are provided to Clearbeach in

connection with the management, operation and maintenance of Clearbeach's oil and gas wells and associated infrastructure;

14. In light of the Bankruptcy Trustee's intended disclaimer and Clearbeach's lack of employees, Clearbeach must rely on a third party to address its significant environmental obligations and operate and maintain its oil and gas wells during its bankruptcy. To this end, the Debtors are seeking approval of the Operating Agreement between Clearbeach and Eastern pursuant to the Bankruptcy Transition Order;

15. In accordance with the proposed Operating Agreement, Eastern will, among other things, operate and maintain the oil and gas wells and related equipment owned by Clearbeach and perform all necessary administrative functions associated therewith, including all required plugging and remediation work;

16. The Operating Agreement presents the most efficient and practical means of ensuring Clearbeach's significant environmental obligations are addressed. The proposed Bankruptcy Trustee is supportive of the Operating Agreement and believes that it is in the best interests of Clearbeach's stakeholders;

The Appropriated Funds

17. In contravention of the Stay of Proceedings, PACE debited \$60,957.83 from the sole account Clearbeach maintains with PACE on July 26, 2020. PACE has since refused (and continues to refuse) Clearbeach access to the account, which should currently have a balance of \$263,457.53 (the "**Appropriated Funds**");

18. Clearbeach's oil and gas wells are predominantly located on private farmland. As compensation for having oil and gas wells situated on their property, individual landowners are owed a 12.5% royalty on gross production on a monthly basis (the "**Royalty Payments**"), and are also compensated for surface facilities;

19. Absent access to the Appropriated Funds, Clearbeach cannot comply with the Inspector's Order in the timelines contemplated thereunder nor satisfy certain of the Royalty Payments on a

timely basis. Accordingly, the Debtors are seeking the immediate return of the Appropriated Funds pursuant to the Bankruptcy Transition Order;

Other Grounds

20. The provisions of the BIA and the inherent and equitable jurisdiction of the Court;

21. Rules 1.04, 1.05, 2.03, 3.02, 16, 37 and 39 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and

22. Such further and other grounds as counsel may advise and the Court may permit;

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) the First Report and the appendices thereto;
- (b) the affidavit of Jane Lowrie sworn December 10, 2020 and the exhibits thereto; and
- (c) such further and other evidence as counsel may advise and the Court may permit.

December 10, 2020

BENNETT JONES LLP

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Lawyers for Clearbeach Resources Inc. and Forbes
Resources Corp.

SCHEDULE "A"

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

BETWEEN:

PACE SAVINGS & CREDIT UNION LIMITED

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and

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THE HONOURABLE MADAM)	THURADAY, THE 17 th
)	
JUSTICE GILMORE)	DAY OF DECEMBER, 2020

BANKRUPTCY TRANSITION ORDER

THIS MOTION, made by Clearbeach Resources Inc. ("**Clearbeach**") and Forbes Resources Corp. ("**Forbes**"), for an order transitioning Clearbeach and Forbes into bankruptcy, was heard this day by Zoom videoconference due to the COVID-19 pandemic.

ON READING the motion record of Clearbeach and Forbes dated December 10, 2020 (the "**Motion Record**") and the first report of Richter Advisory Group Inc., in its capacity as proposal trustee (the "**Proposal Trustee**") dated December [●], 2020 (the "**First Report**") for each of Clearbeach and Forbes, and on hearing the submissions of the counsel for Clearbeach and Forbes, the Proposal Trustee, PACE Savings & Credit Union Limited ("**PACE**") and such other

counsel as listed on the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Joshua Foster, sworn December 10, 2020.

1. **THIS COURT ORDERS** that the stay of the proposal proceedings under Part III, Division 1 of the *Bankruptcy and Insolvency Act* in respect of each of Clearbeach and Forbes be and is hereby terminated and each of Clearbeach and Forbes are bankrupt as of the date of this Order.

2. **THIS COURT ORDERS** that Richter Advisory Group Inc. is hereby appointed as trustee in bankruptcy (the "**Trustee**") for each of Clearbeach and Forbes.

3. **THIS COURT ORDERS** that the Trustee shall not be deemed to be in possession or control of any of the assets, properties and undertakings, including the oil and gas wells or other property of Clearbeach or Forbes (collectively, the "**Property**").

4. **THIS COURT ORDERS** that the Trustee shall be deemed to disclaim its interest in any of the Property upon the issuance of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall require the Trustee or any other person to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") or be deemed to cause the Trustee or any other person to take Possession of any Property that might be environmentally contaminated, might be a pollutant or contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination under any applicable provincial or federal statute (collectively, the "**Environmental Legislation**").

6. **THIS COURT ORDERS** that the Trustee shall not be liable for any closure or environmental and land rehabilitation-related liabilities or obligations in respect of or in any way related to the Property (or caused by or resulting from any matter or thing originating on or coming from the Property), including, as provided for in any provincial or federal statute, any regulations or codes thereunder, or pursuant to any order or direction issued under any Environmental Legislation.

7. **THIS COURT ORDERS** that Borden Ladner Gervais LLP ("**BLG**"), shall be entitled to payment of all of its fees and disbursements (the "**BLG Final Account**") up to the date of this Order and shall be entitled to use any existing retainer that BLG may have from Clearbeach for the payment of the BLG Final Account and any balance held by BLG shall be remitted to the Trustee.

8. **THIS COURT ORDERS** that BLG shall be under no obligation to act for the Trustee from and after the date of this Order.

9. **THIS COURT ORDERS** that the Trustee shall not be required to obtain an opinion from legal counsel in the bankruptcy proceedings of either Clearbeach or Forbes with respect to the validity and enforceability of the security of PACE, or any other party, regarding the Property, as against the Trustee.

10. **THIS COURT ORDERS** that the First Report of the Proposal Trustee and the activities of the Proposal Trustee, as described in the First Report, be and are hereby approved; provided, however that only the Proposal Trustee, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

11. **THIS COURT ORDERS** that Clearbeach is authorized to enter into the operating agreement dated December [●], 2020 (the "**Operating Agreement**") with Eastern Oilfield Services Ltd. ("**Eastern**"), attached as Appendix [●] to the First Report and to carry out the obligations of Clearbeach, as set out therein, including making the payment of fees and disbursements to Eastern thereunder.

12. **THIS COURT ORDERS** that Eastern shall be entitled to payment of its fees and disbursements pursuant to the Operating Agreement, including in respect of assisting Clearbeach in meeting its obligations in respect of environmental matters, from the revenues generated by Clearbeach.

13. **THIS COURT ORDERS** that any prior agreements or arrangements between Clearbeach and Lagasco Inc. ("**Lagasco**") and Eastern pursuant to which personnel and services are provided to Clearbeach in connection with the management, operation and maintenance of Clearbeach's oil and gas wells and associated infrastructure are hereby terminated and that each of Lagasco and Eastern shall be entitled to payment by Eastern of all fees and expenses outstanding or incurred prior to the date of this Order, including without limitation by set-off of any amounts owed by Lagasco and/or Eastern to Clearbeach.

14. **THIS COURT ORDERS** that PACE shall be required to account for and pay and/or release to Clearbeach all funds seized by PACE or withheld by PACE in or from Clearbeach's accounts with PACE after the commencement of Clearbeach's proposal proceedings, which shall form part of Clearbeach's Property and shall be used by Clearbeach toward payment of its obligations under the Operating Agreement, including in respect of meeting its obligations in

respect of environmental matters and for payment of the fees and costs of the Trustee (including in its capacity as Proposal Trustee) and its counsel.

PACE SAVINGS & CREDIT UNION LIMITED and
Applicants

CLEARBEACH RESOURCES INC. ET AL
Respondents

Court File No. CV-20-00644116-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

BANKRUPTCY TRANSITION ORDER

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Lawyers for Clearbeach Resources Inc. and Forbes Resources
Corp.

SCHEDULE "B"

Time: Dec 17, 2020 11:00 AM (Toronto Time)

Join Zoom Meeting

<https://us02web.zoom.us/j/82026480038?pwd=Qm45ZXBBMnQ3RXRZZUdtYWY4RUJpdz09>

Meeting ID: 820 2648 0038

Passcode: 302860

One tap mobile

+16465588656,,82026480038#,,,,,0#,,302860# US (New York)

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Dial by your location

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+1 253 215 8782 US (Tacoma)

+1 301 715 8592 US (Washington D.C)

+1 312 626 6799 US (Chicago)

+1 346 248 7799 US (Houston)

Meeting ID: 820 2648 0038

Passcode: 302860

Find your local number: <https://us02web.zoom.us/j/82026480038?pwd=Qm45ZXBBMnQ3RXRZZUdtYWY4RUJpdz09>

PACE SAVINGS & CREDIT UNION LIMITED
Applicant

and

CLEARBEACH RESOURCES INC. ET AL
Respondents

Court File No.: CV-20-00644116-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

Proceedings Commenced in Toronto

NOTICE OF MOTION
(Returnable December 17, 2020)

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Lawyers for Clearbeach Resources Inc. and Forbes
Resources Corp.

TAB 2

**ONTARIO
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**AFFIDAVIT OF JANE LOWRIE
(Sworn December 10, 2020)**

I, Jane Lowrie, of the city of London, in the Province of Ontario, **MAKE OATH AND
SAY:**

1. I am the President of Clearbeach Resources Inc. ("**Clearbeach**") and have been since its incorporation in 1989. I am also the sole director and common shareholder of Clearbeach. As such, I have personal knowledge of the matters to which I depose in this affidavit. Where I have relied on other sources for information, I have so stated and I believe them to be true. It is my intention to preserve, and not to waive, any legal or other privileges that might apply to me and/or Clearbeach.

2. I swear this affidavit in support of a motion by Clearbeach for an order (the "**Bankruptcy Transition Order**") pursuant to the *Bankruptcy and Insolvency* (the "**BIA**"), among other things:

- (a) terminating the Proposal Proceedings (as defined below) of Clearbeach and Forbes Resources Corp. ("**Forbes**") (together, the "**Debtors**") and declaring the Debtors bankrupt;
 - (b) appointing Richter Advisory Group Inc. ("**Richter**") as trustee in bankruptcy (in such capacity, the "**Bankruptcy Trustee**") of each of the Debtors;
 - (c) declaring that the Bankruptcy Trustee shall not be deemed to be in possession or control of the oil and gas wells or other property of the Debtors and authorizing the Bankruptcy Trustee to disclaim any interests of the Bankruptcy Trustee therein;
 - (d) approving an operating agreement between Clearbeach and Eastern Oilfield Services Ltd. ("**Eastern**") (the "**Operating Agreement**") and authorizing Clearbeach to carry out its obligations set out therein; and
 - (e) directing PACE Savings & Credit Union Limited ("**PACE**") to surrender and pay to Clearbeach the all inclusive sum of **\$263,457.53**, or such other current sum as may be advised, which PACE improperly seized from Clearbeach following the commencement of the Proposal Proceedings.
3. All references to currency in this affidavit are in Canadian dollars unless otherwise noted.

I. OVERVIEW OF CLEARBEACH'S BUSINESS

4. Clearbeach is a privately-owned company incorporated under the Ontario *Business Corporations Act*. Clearbeach is involved in the exploration, development and production of oil and gas deposits in Ontario.

5. Since its inception, Clearbeach has grown through a series of amalgamations and organically through exploration and drilling for new reserves. In 2008, Clearbeach Resource Ltd. amalgamated with Clearwood Resources Inc. and continued as "Clearbeach Resources Inc." In 2019, Clearbeach amalgamated with ON-Energy Corp., which itself was formed through an amalgamation of Liberty Oil & Gas Ltd. ("**Liberty**"), and continued as "Clearbeach Resources Inc.".

6. Clearbeach currently owns approximately 404 oil, natural gas, disposal and injection wells in Southwestern Ontario, among other related production facilities, in a geographical area from Goderich to Windsor to Simcoe. These wells allow Clearbeach to produce 257 "barrels of oil equivalent" per day, consisting of approximately 1,000 cubic feet of natural gas and 90 barrels of oil.

7. At present, Clearbeach does not have any employees. Clearbeach has contractual arrangements with Lagasco Inc. ("**Lagasco**") and Eastern pursuant to which personnel and services are provided to Clearbeach in connection with the management, operation and maintenance of Clearbeach's oil and gas wells and associated infrastructure. All costs are billed on a well and field basis and time spent is tracked hourly by all operators and personnel. Clearbeach's oil and gas wells require continual maintenance by field staff. Among other things, field staff must:

- (a) monitor oil and brine fluid levels, operate and maintain motors, compressors, dehydrators, separators, pipelines, pumps and wellheads, maintain sites and laneways and book shipments to empty the tanks, as needed;
- (b) ensure that the wells are pumping properly to avoid spills;

- (c) perform a number of routine treatments including hot water treatments, salt treatments, wax treatments and pressure monitoring; and
- (d) schedule and perform service rig work to maintain downhole equipment, treat wells and plug wells as necessary to ensure wells remain active and productive.

8. The oil and gas wells owned by Clearbeach are predominantly located on private farmland. As compensation for having oil and gas wells situated on their property, individual landowners are paid a 12.5% royalty on gross production on a monthly basis (the "**Royalty Payments**") and are also compensated for surface facilities. Clearbeach must make the Royalty Payments and surface payments in in order to keep its petroleum and natural gas leases in good standing and continue production from each of its oil and gas wells and associated facilities. Recently, Clearbeach has been unable to satisfy the Royalty Payments and, as discussed below, as a result of the actions of its senior secured creditor, PACE, Clearbeach has been unable to bring those Royalty Payments into good standing. PACE has seized revenues from the oil and gas production, which leaves Clearbeach unable to pay necessary related expenses.

II. BACKGROUND TO THE PROCEEDINGS

A. Clearbeach's Indebtedness to PACE

9. Clearbeach is a party to a Variable Rate Business Loan Agreement dated August 7, 2014 and subsequently amended in December 2014, among Clearbeach, as borrower, ON-Energy Corp., Brookwood Resources Inc., and 567322 Ontario Limited, as guarantors, and PACE, as lender (as amended, the "**Clearbeach Loan**"). Among other things, the Clearbeach Loan provides for a non-revolving credit facility in the principal amount of \$6 million to be repaid through monthly blended

payments of \$59,651.96 made on the 26th day of each month. The Clearbeach Loan matured on August 26, 2019. As at June 16, 2020, approximately \$3,819,260.30 was outstanding under the Clearbeach Loan. A copy of the Clearbeach Loan is attached hereto as **Exhibit "A"**.

10. In addition to the Clearbeach Loan, Clearbeach had guaranteed loan obligations of various of its predecessors and now has direct responsibility for certain loans through amalgamation, including under:

- (a) a Variable Rate Business Loan Agreement dated August 4, 2016 and subsequently amended on April 23, 2018, between Liberty, as borrower, and PACE, as lender, pursuant to which a non-revolving credit facility in the principal amount of \$1 million was established in favour of Liberty (the "**Liberty Loan**");
- (b) a Variable Rate Business Loan Agreement dated December 18, 2017 between ON-Energy Corp., as borrower, Clearbeach and others, as guarantors, and PACE, as lender, pursuant to which a non-revolving credit facility in the principal amount of \$2.5 million was established in favour of ON-Energy Corp. (the "**First ON-Energy Loan**"); and
- (c) a Credit Facility Agreement dated February 15, 2018 and subsequently amended on April 23, 2018, between ON-Energy Corp. as borrower, Clearbeach and Liberty, as guarantors, and PACE, as lender, pursuant to which a non-revolving term loan in the principal amount of \$2 million was established in favour of ON-Energy Corp. (the "**Second ON-Energy Loan**").

11. Copies of the Liberty Loan, the First ON-Energy Loan and the Second ON-Energy Loan (collectively, the "**Loan Agreements**") are attached hereto as **Exhibit "B"**, **Exhibit "C"** and **Exhibit "D"** respectively.

12. The following security was granted in respect of the obligations of Clearbeach, Liberty and ON-Energy Corp. under the Loan Agreements:

- (a) Clearbeach granted a security interest in its present and after acquired personal property in favour of PACE pursuant to a Business Loan General Security Agreement dated August 7, 2014;
- (b) Clearbeach granted a Fixed and Floating Charge Demand Debenture in the amount of \$8 million in favour of PACE (the "**Debenture**") in respect of, among other things, its existing and future leases, all lands and premises and all of its present and after acquired Oil and Gas Properties (as defined in the Debenture);
- (c) Liberty granted a security interest in its present and after acquired personal property in favour of PACE pursuant to a Business Loan General Security Agreement dated February 15, 2016;
- (d) Liberty granted a Fixed and Floating Charge Demand Debenture in the amount of \$1.8 million in favour of PACE in respect of, among other things, its existing and future leases, and all lands and premises;
- (e) ON-Energy Corp. granted a security interest in its present and after acquired personal property in favour of PACE pursuant to a Business Loan General Security Agreement dated February 15, 2018; and

- (f) ON-Energy Corp. granted a Fixed and Floating Charge Demand Debenture in the amount of \$2.8 million in favour of PACE in respect of, among other things, its existing and future leases, and all lands and premises.

13. On July 13, 2020, PACE sent a demand letter and an accompanying notice of intention to enforce security under subsection 244(1) of the BIA (together, the "**Clearbeach Demand Letter**") to Clearbeach in respect of the Loan Agreements. A copy of the Clearbeach Demand Letter is attached hereto as **Exhibit "E"**.

14. Among other things, the Demand Letter advised that:

- (a) certain events of default had occurred under the Loan Agreements;
- (b) PACE was making formal demand for immediate payment of \$8,951,401.79, together with accruing interest and any and all costs and expenses incurred by PACE (collectively, the "**Clearbeach Indebtedness**"); and
- (c) failing payment of the Clearbeach Indebtedness forthwith, PACE would take whatever steps it considered necessary to collect and recover amounts owing to it, including steps to appoint an interim receiver, receiver or receiver and/or manager of Clearbeach.

B. Forbes' Indebtedness to PACE

15. Forbes is a party to a Variable Rate Business Loan Agreement dated April 13, 2018, among Forbes, as borrower, Jarvis Holdings Inc. and I as guarantors, and PACE, as lender (the "**Forbes Loan**"). Among other things, the Forbes Loan provides for a non-revolving credit facility in the

principal amount of \$0.5 million. The Forbes Loan matured on June 30, 2018 and was not repaid. I understand that as at June 16, 2020, approximately \$500,032.69 remained outstanding under the Forbes Loan. A copy of the Forbes Loan is attached hereto as **Exhibit "F"**.

16. To secure its obligations under the Forbes Loan, Forbes granted a security interest in favour of PACE in all of its present and after acquired personal property pursuant to a Business Loan General Security Agreement dated April 13, 2018.

17. On July 13, 2020, PACE sent a demand letter and an accompanying notice of intention to enforce security under subsection 244(1) of the BIA (together, the "**Forbes Demand Letter**") to the parties to the Forbes Loan Agreement. A copy of the Forbes Demand Letter is attached hereto as **Exhibit "G"**.

18. Among other things, the Demand Letter advised that:

- (a) certain events of default had occurred under the Forbes Loan Agreement;
- (b) PACE was making formal demand for immediate payment of \$503,151.84, together with accruing interest and any and all costs and expenses incurred by PACE (collectively, the "**Forbes Indebtedness**"); and
- (c) failing payment of the Forbes Indebtedness forthwith, PACE would take whatever steps it considered necessary to collect and recover amounts owing to it, including steps to appoint an interim receiver, receiver or receiver and/or manager of Forbes.

19. Forbes entered into the Forbes Loan in connection with financing the purchase of certain assets of Dundee Energy Limited Partnership and its general partner Dundee Oil and Gas Limited

(collectively "**Dundee**"), in the context of a proceeding under the *Companies Creditors' Arrangements Act*, RSC 195, c C-36. PACE committed to providing \$23 million in various loans and lines of credit to support the transaction, split among different entities (including Clearbeach, Forbes and ultimately Lagasco). Forbes became involved for succession planning purposes; it is owned by Jarvis Holdings Inc., which is owned by my four adult children. It was contemplated that Forbes would acquire certain onshore assets being purchased by Lagasco from Dundee, post-closing.

20. Shortly before the scheduled closing date for Lagasco to purchase Dundee's assets, PACE's operations were taken over by the Deposit Insurance Corporation of Ontario (the regulator of credit unions), and PACE abandoned its commitment to provide a further \$20 million in financing that was required to close the purchase transaction. The asset purchase was later completed by Lagasco using financing from a different lender, without Forbes' involvement. As a result, Forbes did not acquire any of Dundee's assets, and at present it does not have any employees, operations or tangible assets.

C. The NOI and Receivership Proceedings

21. PACE brought an application for the appointment of a receiver, originally returnable on July 28, 2020. Notably, PACE's receivership application did not indicate what, if any, arrangements would be made to ensure Clearbeach's ongoing obligations in respect of its oil and gas assets would be satisfied, including whether Clearbeach's existing contractual arrangements with Lagasco and Eastern, providing for the management, maintenance and operation of same would be continued.

22. In response to the PACE receivership application, on July 22, 2020 Clearbeach filed a Notice of Intention to make a proposal pursuant to subsection 50.4(1) of the BIA (the "**Clearbeach NOI**") and Richter was appointed as proposal trustee (in such capacity, the "**Proposal Trustee**"). On July 23, 2020, Forbes also filed a Notice of Intention to make a proposal pursuant to subsection 50.4(1) of the BIA (the "**Forbes' NOI**", and together with the Clearbeach NOI, the "**Proposal Proceedings**").

23. The Proposal Proceedings would not have been filed but for the PACE receivership application. The NOI Proposal Proceedings were intended to provide Clearbeach and Forbes with some time, space and stability to consider and develop their restructuring options, including a court-supervised process for the sale of the Debtors' businesses that would allow the Debtors to address their liabilities, including environmental liabilities, and make a proposal to their creditors. A copy of Clearbeach's certification of filing the Clearbeach NOI is attached hereto as **Exhibit "H"** and a copy of Forbes' certification of filing the Forbes' NOI is attached hereto as **Exhibit "I"**.

24. The Proposal Proceedings resulted in, among other protections, a stay of the receivership proceeding (the "**Stay of Proceedings**"). Notwithstanding the Stay of Proceedings, I understand that on or about July 26, 2020, PACE debited \$60,957.83 from the sole account Clearbeach maintains with PACE, for principal and interest payments on Clearbeach Loan 1 after the NOI "stay" period. Although Clearbeach does not have access to the sole account it maintains with PACE, the balance in this account should currently be \$263,457.53 (the "**Appropriated Funds**"). PACE has since refused (and continues to refuse) Clearbeach access to the Appropriated Funds.

25. By letter dated August 6, 2020 (the "**August 6 Letter**"), I understand that PACE, through its counsel, advised counsel to the Debtors and the Proposal Trustee that PACE would not support

a sale process within the Proposal Proceedings and that any such process should be undertaken by a court-appointed receiver. Accordingly, PACE advised that it would move to terminate the Proposal Proceedings and appoint a receiver. A copy of the August 6 Letter is attached as **Exhibit "J"**.

26. By notice of motion dated August 7, 2020, PACE sought an order, among other things:

- (a) declaring terminated, the Stay of Proceedings or any extension thereof;
- (b) appointing BDO Canada Limited ("**BDO**") as receiver, without security, of all the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by one or more of the Debtors, including all proceeds thereof (collectively, the "**Property**") pursuant to subsection 243(1) of the BIA and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the proceedings thereunder, the "**Receivership Proceedings**"); and
- (c) in the alternative, appointing BDO as interim receiver, without security, of all the Property pursuant to subsection 47.1(1) of the BIA.

27. Pursuant to an order dated August 20, 2020 (the "**August 20 Order**") and an accompanying endorsement of the Honourable Madam Justice Dietrich made on consent (the "**August 20 Endorsement**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), among other things:

- (a) consolidated the Proposal Proceedings and the Receivership Proceedings; and
- (b) granted a temporary stay of the Proposal Proceedings.

28. A Copy of the August 20 Order, together with the August 20 Endorsement, is attached hereto as **Exhibit "K"**.

29. The stay of the Proposal Proceedings under the August 20 Order was intended to provide the Debtors and PACE with an opportunity to discuss an appropriate path forward while maintaining the *status quo*. These discussions included, among other things, the satisfaction of Clearbeach's significant environmental obligations imposed under the *Oil, Gas and Salt Resources Act*, R.S.O. 1990, c. P. 12, as amended (the "**OGSRA**"), O. Reg. 245/97 thereunder and the *OGSRA Provincial Operating Standards Version 2.0* (the "**Operating Standards**") and enforced by the Ministry of Natural Resources and Forestry ("**MNRF**").

30. Without any advance notice whatsoever, on September 23, 2020 (the morning of a scheduled court attendance) PACE issued a Notice of Abandonment stating that it was abandoning its Receivership Proceedings in their entirety (the "**Notice of Abandonment**"). I later came to understand that PACE determined that it would not have BDO take possession of the Property in the Receivership Proceedings as a result of Clearbeach's environmental obligations and the limited realizable value of Clearbeach's assets. A copy of the Notice of Abandonment is attached hereto as **Exhibit "L"**.

31. PACE's commencement of the Receivership Proceedings were the trigger for the NOI filings by Clearbeach and Forbes, and none of the current cycle of events would have been triggered were it not for PACE's decision to first commence and then suddenly abandon its Receivership Proceeding.

32. Since the Notice of Abandonment was issued, the Debtors and PACE have agreed to four brief stays of the Proposal Proceedings to prevent the immediate deemed bankruptcies of the

Debtors and allow for, among other things, continued discussions between the parties and the MNRF and to implement the Debtors' orderly transitions into bankruptcy, taking into account the environmental obligations discussed above. These brief stays were granted pursuant to endorsements of the Court dated October 1, 2020, October 15, 2020, October 29, 2020 and November 19, 2020 (collectively, the "**Endorsements**"). Copies of the Endorsements are attached hereto as **Exhibit "M"**.

D. Other Events

33. Lagasco owes money to Clearbeach on account of a shareholder loan, but Lagasco is restricted from repaying the loan without approval from its senior creditor, Fiera Capital Corporation ("**Fiera**"). Lagasco has requested approval from Fiera to repay \$150,000 to Clearbeach, which approval is still pending but is likely to be received by Lagasco shortly. In anticipation of such approval being granted by Fiera, on December 8, 2020 Lagasco advanced \$150,000 to Clearbeach. Clearbeach then used these funds to pay Eastern \$147,768.13 for several outstanding invoices rendered by Eastern to Clearbeach, for work done by Eastern for Clearbeach since the NOI Proceedings were filed, relating to well and operating asset maintenance and environmental compliance and safeguarding. Eastern then, on a temporary basis until Lagasco obtains approval from Fiera, transferred \$150,000 to Lagasco, such that the outstanding principal balance of Lagasco's loan remains the same. If and when Fiera grants approval, Lagasco will pay Eastern back the \$150,000 in transferred funds.

III. CLEARBEACH'S IMMEDIATE FINANCIAL NEEDS

A. Environmental Obligations

34. As an explorer, developer and producer of oil and gas deposits in Ontario, Clearbeach is subject to a comprehensive scheme of environmental obligations under the OGSRA, the Operating Standards and O. Reg. 245/97. Among other things, these obligations include:

- (a) the plugging of oil and gas wells that are no longer in use;
- (b) maintaining all work sites in an orderly manner;
- (c) reporting all uncontrolled well flowing, spills, fires or explosions;
- (d) implementing precautions to prevent the wasting, leaking or escaping of oil and gas from natural reservoirs, wells or tanks; and
- (e) certain other reporting and end of life/asset retirement obligations.

35. Clearbeach's compliance with these statutory and regulatory obligations is monitored and enforced by the MNRF. While Clearbeach has historically satisfied its environmental obligations, including its plugging and end of life obligations, it is currently unable to do so, and advised the MNRF of this on October 9, 2020.

36. On October 14, 2020, the MNRF issued Inspector's Order I41-20-12920-001 under the OGSRA in respect of ten wells licenced in the names of Clearbeach Resources Inc., ON-Energy Corp. and Liberty, and under the control and management of Clearbeach (the "**Inspector's Order**"). In addition to the Inspector's Order, Clearbeach has several deficiency lists with the

MNRF due to certain of its inactive wells and other compliance issues. A copy of the Inspector's Order is attached hereto as **Exhibit "N"**.

37. The Inspector's Order provides, in relevant part, that four of Clearbeach's wells represent a hazard to the public or to the environment due to their age, the duration in which they have been inactive and lack of integrity management. Further, the Inspector's Order notes that all ten wells identified therein must be plugged by the following dates:

- (a) *Well Licence No. T000930 and T008609* – plugged by December 14, 2020;
- (b) *Well Licence No. T012101 and T012148* – plugged by February 14, 2021; and
- (c) *Well Licence No. T011476, T010748, T010480, T002933, T010677 and T009691* – plugged by July 14, 2021.

38. The deficiencies identified by MNRF can in some cases be addressed without plugging the wells. The estimated cost to Clearbeach of complying with the Inspector's Order and the MNRF's current deficiency lists is approximately \$404,000. Clearbeach would like to plug five of the ten wells, and return the other five wells to production and is currently in discussions with MNRF on these matters. Absent access to the Appropriated Funds that were improperly seized by PACE in contravention of the Stay of Proceedings, Clearbeach cannot comply with the Inspector's Order, especially its immediate plugging obligations due December 14, 2020, nor most of its other environmental obligations in the timeframe required in the order and deficiency lists. Accordingly, the Debtors are seeking the immediate return of the Appropriated Funds pursuant to the Bankruptcy Transition Order. Clearbeach has advised the MNRF of its efforts to ensure compliance with the Inspector's Order, including by seeking the relief described herein.

39. There are also other wells that will require plugging in the near future, as described below. With commodity prices having decreased, many wells are uneconomic to continue operating.

B. Royalty Payment Obligations

40. As described above, Clearbeach makes the Royalty Payments to landowners as compensation for the oil and gas wells situated on their properties. Because Clearbeach has not had access to revenues seized by PACE, it has had insufficient funds to make some Royalty Payments, resulting in a breach of certain of Clearbeach's lease agreements. Clearbeach currently holds leases on over 1,000 properties, and has remained up to date with payments on most leases, to the extent that it is able to do so. A portion of the Appropriated Funds was earmarked for bringing all of the lease agreements, which are critical to Clearbeach's business operations, into good standing. Several landowners have sent letters of default under the leases and are threatening to deny Clearbeach access to certain properties, which would prevent Clearbeach from being able to maintain wells in accordance with operating standards.

IV. THE OPERATING AGREEMENT

41. The Bankruptcy Transition Order contemplates the appointment of Richter as Bankruptcy Trustee. I have been advised by Richter that, while it consents to its appointment as Bankruptcy Trustee, it intends to disclaim any and all interests in the oil and gas wells or other property of the Debtors. I understand that Richter intends to disclaim such interests given that, after accounting for PACE's secured claims and Clearbeach's significant environmental liabilities and obligations, there is no realizable value for Clearbeach's unsecured creditors. In light of Richter's intended disclaimer, the Debtors are seeking approval of the Operating Agreement to ensure that Clearbeach's ongoing environmental obligations can be complied with during its bankruptcy.

42. The significant decline in oil and gas commodity prices over the past few years has rendered many of Clearbeach's oil and gas wells uneconomic. As a result, a number of Clearbeach's oil and gas wells will require plugging in the ordinary course during Clearbeach's bankruptcy. McIntosh Engineering, an engineering consulting firm which prepared a Reserve Report for Clearbeach, has estimated the cost of these plugging and end of life obligations to be approximately \$1.6 million in the next year for wells that are currently non-productive. Clearbeach management believe that approximately 80 wells will require plugging within the next three years. These obligations are in addition to those identified in the Inspector's Order and the MNRF's deficiency list. Satisfaction of these obligations is essential to mitigate environmental and human harm, including preventing leaks and/or accidents on the farmland on which many of Clearbeach's oil and gas wells are situated. Clearbeach anticipates this work will take several years and proposes that it be completed out of available cash flows prior to the payment of debt obligations to PACE and other creditors.

43. As set out above, Clearbeach has no employees and relies on the services and personnel of Eastern and Lagasco to operate, manage and maintain its oil and gas wells. Eastern is willing to continue to provide services and personnel to Clearbeach at reasonable market rates during the course of Clearbeach's bankruptcy to operate, maintain and rehabilitate its oil and gas wells, and where required, satisfy end of life and asset retirement obligations, pursuant to the terms of the Operating Agreement. Eastern has supplied services for many years to Clearbeach and has the equipment and capacity to maintain and rehabilitate Clearbeach's oil and gas wells in an environmentally responsible manner. Eastern has previously conducted well plugging for the MNRF's Orphan Well Program and First Nations contracts.

44. In the circumstances, I believe that the Operating Agreement is the only practical means of ensuring that Clearbeach's significant environmental obligations are managed in a responsible manner. As such, I believe that the Operating Agreement is in the best interests of Clearbeach's stakeholders, including, very importantly, the MNRF. I understand that the proposed Bankruptcy Trustee is also supportive of the Operating Agreement and believes that it is in the best interests of Clearbeach's stakeholders.

V. CONCLUSION

45. In light of Clearbeach's financial circumstances, its significant environmental liabilities, and the realizable value of its assets, I believe that the relief sought pursuant to the Bankruptcy Transition Order is reasonable and appropriate in the circumstances. The return of the Appropriated Funds will provide Clearbeach with the means to satisfy its immediate obligations under the MNRF Inspector's Order and certain of its other environmental obligations. Moreover, the Operating Agreement will facilitate the continuation of Clearbeach's business, making all revenues in excess of operating costs available to satisfy Clearbeach's environmental obligations to the MNRF.

46. I swear this affidavit in support of the of the Debtors' motion for the Bankruptcy Transition Order and for no other or improper purpose.

SWORN BEFORE ME over)
videoconference on this 10th day of)
December, 2020. The affiant was located in)
the City of London, in the Province of)
Ontario and the Commissioner was located in)
the City of Toronto, in the Province of)
Ontario. This affidavit was commissioned)
remotely as a result of COVID-19 and the)
declaration was administered in accordance)
with Ontario *Regulation 431/20*.)



WILLIAM A. BORTOLIN

A Commissioner for Oaths in and for the
Province of Ontario



JANE LOWRIE

TAB A

THIS IS EXHIBIT "A" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely

A handwritten signature in blue ink, appearing to read 'W. A. Bortolin', is written over a horizontal line.

William A. Bortolin

Commissioner for Taking Affidavits



CREDIT UNION Well beyond a bank.

VARIABLE RATE BUSINESS LOAN AGREEMENT

AGREEMENT made this 7th day of August, 2014.

BETWEEN: CLEARBEACH RESOURCES INC.
(hereinafter called the "Member")

AND: ON-ENERGY CORP.
(hereinafter collectively and individually called the "Guarantor")

AND: BROOKWOOD RESOURCES INC.
(hereinafter collectively and individually called the "Guarantor")

AND: 567322 ONTARIO LIMITED
(hereinafter collectively and individually called the "Guarantor")

AND: PACE SAVINGS & CREDIT UNION LIMITED
(hereinafter called the "Credit Union")

WHEREAS the Member has applied to the Credit Union for a loan;

AND WHEREAS the Credit Union has agreed to extend credit to the Member on the terms and conditions set out in term sheet dated June 26, 2014 (the "Term Sheet") for the purposes set out in the Term Sheet, subject to the following terms and conditions;

NOW THEREFORE in consideration of the premises and the covenants, agreements, representations and warranties hereinafter set forth, the parties hereto agree as follows:

1. *Loan.* Upon execution of this Agreement the Credit Union establishes in favour of the Member a non-revolving term facility (the "**Loan**") in the amount of **SIX MILLION DOLLARS (\$6,000,000.00)**. The Loan is a non-revolving facility and, accordingly no amounts repaid under the Loan may be reborrowed under the Loan and the limit of the Loan will be automatically and permanently reduced by the amount of any repayment made thereunder.
2. *Term.* The outstanding amount under the Loan (together with all accrued interest and other amounts payable hereunder) shall be repaid in full upon the earlier of:
 - (a) August 26, 2019 (the "**Maturity Date**"); or
 - (b) the occurrence of an Event of Default.
3. *Interest.* Interest on the principal amount of the Loan and outstanding from time to time shall be calculated and accrue at a variable rate referred to in this Agreement as the "**Variable Business Loan Rate**". The Variable Business Loan Rate is equal to the PACE Base Rate as adjusted from time to time by the Credit Union, plus 0.00%. At the date of this Agreement the PACE Base Rate is **6.750%** per annum compounding monthly and the Variable Business Loan Rate, as determined above, is therefore **6.75%** per annum compounding monthly. Interest shall be calculated daily on the daily closing principal balance owing hereunder in respect of the Loan, not in advance, and shall be payable both before and after default and/or judgment as well after as before maturity. Upon any change in the PACE Base Rate the new Variable Business Loan Rate, as calculated above, shall immediately become effective and apply to this loan. The Member or Guarantor is liable to repay the loan together with interest at the changed rate. The Credit Union shall notify the Member, and Guarantor (if any), of any change in the Variable Business Loan Rate as soon as possible, but the accidental omission to give notice of any such change shall not excuse the Member or Guarantor from liability to repay the loan together with interest at the changed rate. In the event of default, the Member agrees to pay all legal fees and expenses (on a solicitor and client basis) incurred by the Credit Union in collecting the said loan and interest. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
4. *Repayment.* Subject to and in addition to the requirement for repayment in full pursuant to Sections 2 and 11 of this Agreement, the Member shall make monthly blended payments (principal and interest) in the sum of \$101,575.28 (the monthly payment) on the 26th day of each month until the full amount outstanding hereunder on account of the Loan has been paid. The first monthly payment shall be payable on the 26th of the month immediately following the date the advance was made by the Credit Union to the Member. The Loan is open for repayment at any time without notice or bonus.

5. *Application of Payments.* All payments made by the Member on account of the Loan shall be applied firstly on account of interest at the rate then in effect and secondly in reduction of the principal sum outstanding.
6. *Recordation.* The Credit Union shall open and maintain books of account evidencing all advances and all other amounts owing by the Member to the Credit Union under the Loan. The Credit Union shall enter in those books details of all amounts from time to time owing, paid or repaid by the Member, and this information shall constitute prima facie evidence of the obligations of the Member to the Credit Union under this Agreement with respect to all advances and all other amounts owing by the Member to the Credit Union under this Agreement. The failure of the Credit Union to correctly record any such amount or date shall not in any way affect the obligations of the Member to pay all amounts due to the Credit Union under this Agreement, pursuant to, and in accordance with this Agreement. After a request by the Member, the Credit Union shall promptly advise the Member of any entries made in the Credit Union's books of account. Acceptance by the Member, without dispute, of the periodic statements pertaining to this Loan acknowledges the liability of the Member for advances made during the period covered by such statement.
7. *Security.* The Loan shall be evidenced or secured by the security as provided and set out in the Term Sheet and as the Credit Union may request from time to time (the "Security") which shall be provided contemporaneously with the execution of this Agreement, and shall be in form and substance satisfactory to the Credit Union and shall be supported by all necessary resolutions and opinions (each in form and substance satisfactory to the Credit Union and the Credit Union's counsel). Furthermore, the Member and Guarantor (if any) acknowledge that the Credit Union has at all times a lien against shares in the Credit Union owned by the Member or Guarantor and against such monies on deposit by the Member or Guarantor with the Credit Union. If the Member is in default under this Agreement, the Credit Union may apply such shares and deposits to repayment of any balance outstanding and the Credit Union shall retain the right to recover from the Member or Guarantor any deficiency should the balance outstanding exceed the value of such shares and deposits.
8. *Warranties and Representations.* The Member and corporate Guarantor (if any) makes the following representations and warranties to Credit Union, which representations and warranties are deemed to be repeated as at the time of each advance hereunder:
 - (a) It is a corporation duly organized, validly existing and duly registered or qualified to carry on business in the Province of Ontario, and has all requisite corporate power and authority to own, lease and operate its property and to conduct its business as such is presently conducted and as proposed to be conducted.
 - (b) The execution, delivery and performance by it of this Agreement and any other documents to which it is a party have been duly executed and delivered by them and constitutes a legal, valid and binding obligation of each of them enforceable against each of them in accordance with its respective terms and have been duly authorized by all necessary actions of its directors and shareholders, and do not violate its constating documents or any applicable laws or agreements to which it subject or by which it is bound.
 - (c) Its most recent financial statements provided to Credit Union accurately 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 no material adverse change has occurred affecting its business or financial condition.
 - (d) There is no claim, action, prosecution or other proceeding of any kind pending or threatened against it or any of its assets or properties before any court or administrative agency which relates to any non-compliance with any environmental law or any release from its lands of a contaminant into the natural environment or which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any of Credit Union's security, and there are no circumstances of which it is aware which might give rise to any such proceeding which it has not fully disclosed to Credit Union.
 - (e) It has good and marketable title to all of its properties and assets, free and clear of any mortgages, liens, claims, loans or encumbrances, other than those created hereunder or as otherwise disclosed to and approved by the Credit Union.
 - (f) It is in compliance in all material respects with all applicable laws including, without limitation, all environmental laws.
 - (g) It possesses all licenses, patents, trade-marks, service marks and copyrights, free from material restrictions, that are necessary for the ownership, maintenance and operation of its assets and businesses and it is not in violation of any rights of third parties with respect to any of the foregoing.
 - (h) No event has occurred which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any security agreement given in connection herewith.
 - (i) It has filed all material tax returns required to be filed by it, paid or made provision for payment of all taxes and claims ranking in priority to Credit Union's security (including interest and penalties) which are

due and payable, and provided adequate reserves for payment of any tax, the payment of which is being contested.

- (j) All information furnished by or on behalf of it in writing to the Credit Union in connection with the transaction contemplated hereby, is true and correct and does not omit any fact necessary in order to make such information not misleading.

9. *Conditions Precedent.* The availability and advance of the Loan hereunder is conditional upon the receipt of:

- (a) a duly executed copy of this Agreement;
- (b) the Security shall have been duly executed and delivered and, where required, registered;
- (c) such financial, corporate and other records or documents relating to Member and Guarantor, if any, as required by the Term Sheet and as the Credit Union may reasonably require have been delivered and approved by the Credit Union.

10. *Guarantor Provision.* In consideration of the Credit Union extending the Loan to the Member, and in addition to any guarantee and security agreement given by the Guarantor to the Credit Union, the Guarantor (and each of them jointly and severally, if more than one Guarantor) does hereby guarantee to the Credit Union repayment of the Loan including interest and costs as provided in this Agreement, as and when demanded by the Credit Union. In default of payment by the Member the Guarantor agrees that the balance then due shall be recoverable against the Guarantor. This guarantee shall be binding notwithstanding any extension of time for repayment or variation in the terms of payment which may be agreed upon between the Member and the Credit Union, and it shall not be necessary for the Credit Union to exhaust its recourse against the Member before being entitled to payment from the Guarantor.

11. *Event of Default.* Without limiting any other rights of the Credit Union under this Agreement, the Term Sheet, the Security and any other written agreement delivered in connection with the transaction hereof, if any one or more of the following events (herein an "Event of Default") has occurred and is continuing:

- (a) the failure by the Member or Guarantor, if any, to pay when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Credit Union;
- (b) the failure of the Member or Guarantor, if any, to observe or perform any covenant or obligation applicable to it under this Agreement, if the Member or Guarantor, if any, fails to remedy such default within the earlier of ten (10) days from the date:
 - (i) it becomes aware of the default; and
 - (ii) the Credit Union delivers written notice of the such default to the Member or Guarantor.
- (c) any default occurs under any other credit, loan or security agreement to which the Member or Guarantor, if any, is a party and such breach continues for ten (10) days after such Member or Guarantor shall have received written notice of same;
- (d) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against the Member or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or the Member shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;
- (e) a receiver is appointed over any property of the Member or any judgment or order or process of any court becomes enforceable against the Member or any property of the Member or any creditor takes possession of any property of the Member;
- (f) any Security is or becomes illegal, invalid, prohibited or unenforceable and/or ceases to rank in the priority contemplated in the Term Sheet against the property charged thereunder;
- (g) any representation or warranty made by the Member or Guarantor, if any, herein or in any Security or in any certificate or other document delivered to the Credit Union in connection herewith is false or misleading in any material respect; or
- (h) in the opinion of the Credit Union, any adverse change has occurred in the financial condition or business of the Member or the Guarantor, if any, which may impair its ability or willingness to perform any of its obligations to the Credit Union or the Credit Union considers the security held to secure the Loan to be in jeopardy or the Credit Union considers itself insecure;

then, in such event, the Credit Union may, by written notice to the Member, declare the amount then outstanding under the Loan to be immediately due and payable. Upon receipt of such written notice, the Member shall immediately pay to the Credit Union all outstanding amounts under the Loan and all other obligations of the Member to the Credit Union in connection therewith. Upon a declaration that the Loan outstanding hereunder is immediately due and payable pursuant to this Section 11, the Credit Union may commence such legal action or proceedings as the Credit Union in its sole discretion deems expedient, including the commencement of enforcement proceedings under this Agreement, the Term Sheet, the Security and all other documents to be executed and delivered to the Credit Union by the Member or Guarantor, all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Member and Guarantor. The rights and remedies of the Credit Union under the this Agreement, the Term Sheet and the Security are cumulative and are in addition to, and not in substitution for, any other rights or remedies.

12. *Expenses.* The Member agrees to pay all fees (including legal fees on a solicitor and client basis), costs and expenses incurred by the Credit Union in connection with the preparation, negotiation and documentation of this Agreement and the Security, and the operation or enforcement of this Agreement and the Security. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including without limitation an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
13. *Review.* Credit Union may conduct periodic reviews of the affairs of Member, as and when determined by Credit Union, for the purpose of evaluating the financial condition of Member. Member shall make available to Credit Union such financial statements and other information and documentation as Credit Union may reasonably require and shall do all things reasonably necessary to facilitate such review. The Member also agrees to promptly notify the Credit Union of any change of circumstances which renders inaccurate any of the information given to the Credit Union in applying for this Loan.
14. *Survival of Representations and Warranties.* The representations and warranties contained herein or made pursuant to this Agreement, the Term Sheet and all Security shall survive until the termination of this Agreement.
15. *Entire Agreement.* This Agreement and all attachments hereto, the Term Sheet, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement among the parties with respect to the Loan herein and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the transaction herein.
16. *Counterparts.* This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement and shall become effective when all counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.
17. *Joint and Several.* Where more than one Person is liable as Member or Guarantor, if any, for any obligation under this Agreement, the liability of each such Person for such obligation is joint and several with each other such Person. Where this agreement is signed by more than one party as Member, advances may be made to or at the request of any one or more of them, and their liability shall be joint and several. Periodic statements or other notices may be sent to any one Member on behalf of all. Any reference in this Agreement to "Member" shall be construed as if to read "Member or any one or more of them".
18. *Limitation Act 2002 (Ontario).* The parties acknowledge that this agreement is made for business purposes and is a "business agreement" as defined in the Limitations Act, 2002 (the "Act") and that no limitation periods found in the Act, other than the ultimate limitation period found in Section 15 of the Act, shall apply to the obligations imposed by this agreement.
19. *Non-Merger.* The provisions of this Agreement shall not merge with the Term Sheet and any other Security provided to Credit Union, but shall continue in full force for the benefit of the parties hereto.
20. *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given upon personal delivery, facsimile transmission (with written or facsimile confirmation of receipt), telex or delivery by a reputable overnight commercial delivery service (delivery, postage or freight charges prepaid), or on the fourth day following deposit in the mail (if sent by registered or certified mail, return receipt requested, delivery, postage or freight charges prepaid), addressed to the Member and/or Guarantor at the addresses appearing in the Credit Union's records and files, and if to the Credit Union to the address noted herein.
21. *Amendments.* This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.
22. *Waivers.* No failure or delay on the part of the Credit Union in exercising any right or power hereunder or under any security document shall operate as a waiver thereof. Guarantor agrees that the amendment or waiver of any provision of this Agreement (other than agreements, covenants or representations expressly made by Guarantor herein, if any) may be made without and does not require the consent or agreement of, or notice to, Guarantor.

23. *Governing Law.* This Agreement and the rights and obligations of the parties hereunder shall be governed in all respects by the laws of the Province of Ontario and the laws of Canada applicable therein.
24. *Assignment.* Member shall not assign or transfer or permit the assignment or transfer of any of its rights or obligations under this Agreement without the prior written consent of Credit Union. Credit Union may assign all or part of its rights and obligations under this Agreement to any person. Credit Union may disclose to potential or actual assignees confidential information regarding Member (including any such information provided by Member to Credit Union) and shall not be liable for any such disclosure).
25. *Severability.* Any portion or provision of the Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions or provisions hereof in such jurisdiction or, to the extent permitted by law, rendering that or any other portion or provision of the Agreement invalid, illegal or unenforceable in any other jurisdiction.
26. *Binding Effect.* This Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
27. *Time of Essence.* Time shall be of the essence in all provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

**PACE SAVINGS & CREDIT UNION
LIMITED**

Per: 

Name:

Title:

MARY BENINCASA
CHIEF OPERATING OFFICER

Per: 

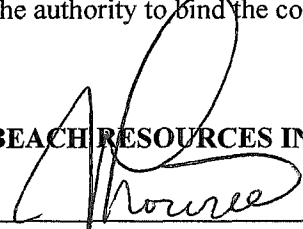
Name:

Title:

KIM COLACICCO
CORPORATE SECRETARY

We have the authority to bind the corporation

CLEARBEACH RESOURCES INC.

Per: 

Name:

Title:

Jane E. Lowrie
President

Per: 

Name:

Title:

Donald V. Crich
Secretary - Treasurer

I/we have the authority to bind the corporation

**ON-ENERGY CORP.
(Guarantor)**

Per: 

Name:

Title:

Jane E. Lowrie
President

Per: 

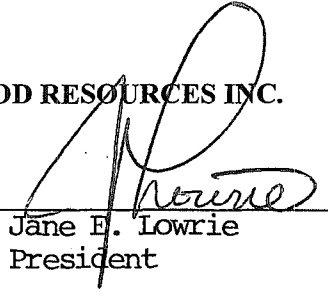
Name:

Title:

Donald V. Crich
Vice-President

I/we have the authority to bind the corporation

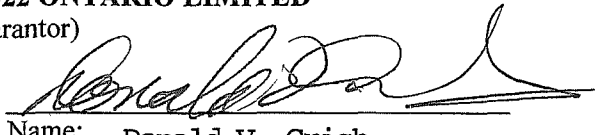
BROOKWOOD RESOURCES INC.
(Guarantor)

Per: 
Name: Jane E. Lowrie
Title: President

Per: n/a
Name:
Title:

I/we have the authority to bind the corporation

567322 ONTARIO LIMITED
(Guarantor)

Per: 
Name: Donald V. Crich
Title: President

Per: n/a
Name:
Title:

I/we have the authority to bind the corporation



AMENDING AGREEMENT

AGREEMENT made this day of December 2014.

BETWEEN: CLEARBEACH RESOURCES INC.
(hereinafter called the "Member")

AND: ON-ENERGY CORP.
(hereinafter collectively and individually called the "Guarantor")

AND: BROOKWOOD RESOURCES INC.
(hereinafter collectively and individually called the "Guarantor")

AND: 567322 ONTARIO LIMITED
(hereinafter collectively and individually called the "Guarantor")

AND: PACE SAVINGS & CREDIT UNION LIMITED
(hereinafter called the "Credit Union")

WHEREAS the Member, the Guarantors and the Credit Union entered into a Variable Rate Business Loan Agreement dated August 7, 2014 (the "Loan Agreement") pursuant to which the Credit Union agreed to extend to the Member the Loan:

AND WHEREAS as of November 26, 2014 the outstanding balance of the Loan is \$5,796,204.90;

AND WHEREAS The Member, the Guarantors and the Credit Union have agreed to amend the Loan Agreement as set out hereinafter;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the sum of Two (\$2.00) Dollars now paid by each party to the other (the sufficiency of which is hereby acknowledged by each of the parties) the parties hereto hereby agree as hereinafter set out.

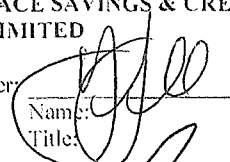
1. Unless otherwise indicated, all capitalized terms herein shall have the same meanings ascribed thereto in the Loan Agreement.
2. Section 4 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

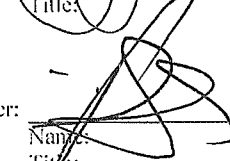
"4. Repayment. Subject to and in addition to the requirement for repayment in full pursuant to Sections 2 and 11 of this Agreement, the Member shall make monthly blended payments (principal and interest) in the sum of \$59,651.96 (the monthly payment) on the 26th day of each month until the full amount outstanding hereunder on account of the Loan has been paid. The first monthly payment shall be payable on the 26th of the month immediately following the date the advance was made by the Credit Union to the Member. The Loan is open for repayment at any time without notice or bonus."
3. Notwithstanding anything to the contrary provided herein or in the Loan Agreement, it is agreed that the monthly payment as amended herein shall commence with the monthly payment due and payable on December 26, 2014.
4. The parties confirm that in all other respects, the terms, covenants and conditions of the Loan Agreement, as may be further amended from time to time, remain unchanged and in full force and effect, except as modified by this Amending Agreement, and time shall remain of the essence.
5. This Amending Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and assigns.
6. This Amending Agreement may be signed in counterparts, each of which shall be deemed to be an original, but both such separate counterparts shall together constitute one and the same instrument.
7. Each party hereto shall, upon reasonable request of the other party, make, do, execute or cause to be made, done or executed, all such further and other lawful acts, deeds, things, agreements, devices and

assurances whatsoever for the better or more perfect and absolute performance of the terms and conditions of this Amending Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

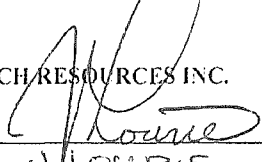
**PACE SAVINGS & CREDIT UNION
LIMITED**


Per: 
Name: HEATHER LEE
Title: VICE PRESIDENT CREDIT

Per: 
Name: PHILLIP SMITH
Title: CHIEF FINANCIAL OFFICER

We have the authority to bind the corporation

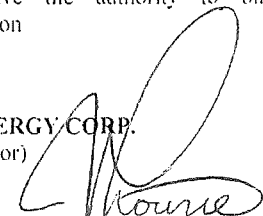
CLEARBEACH RESOURCES INC.

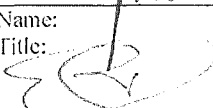
Per: 
Name: J. HOURIE
Title:

Per: 
Name:
Title:

I/we have the authority to bind the corporation

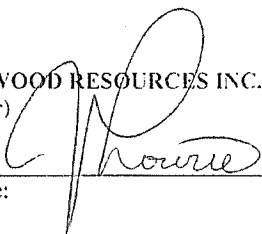
**ON-ENERGY CORP.
(Guarantor)**

Per: 
Name:
Title:

Per: 
Name:
Title:

I/we have the authority to bind the corporation

BROOKWOOD RESOURCES INC.
(Guarantor)

Per: 
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/we have the authority to bind the corporation

567322 ONTARIO LIMITED
(Guarantor)

Per: _____
Name: _____
Title: _____



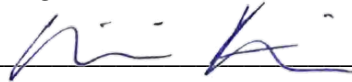
Per: _____
Name: _____
Title: _____

I/we have the authority to bind the corporation

TAB B

THIS IS EXHIBIT "B" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely

A handwritten signature in blue ink, appearing to read 'W. A. Bortolin', is written over a horizontal line.

William A. Bortolin

Commissioner for Taking Affidavits



PACE CREDIT UNION Well beyond a bank.

VARIABLE RATE BUSINESS LOAN AGREEMENT

AGREEMENT made this 4th day of August 2016

BETWEEN: LIBERTY OIL & GAS LTD. & TRIBUTE RESOURCES INC.
(hereinafter called the "Member")

AND: PACE SAVINGS & CREDIT UNION LIMITED
(hereinafter called the "Credit Union")

WHEREAS the Member has applied to the Credit Union for a loan;

AND WHEREAS the Credit Union has agreed to extend credit to the Member on the terms and conditions set out in term sheet dated July 26, 2016 (the "Term Sheet") for the purposes set out in the Term Sheet, subject to the following terms and conditions;

NOW THEREFORE in consideration of the premises and the covenants, agreements, representations and warranties hereinafter set forth, the parties hereto agree as follows:

1. *Loan.* Upon execution of this Agreement the Credit Union establishes in favour of the Member a non-revolving term facility (the "Loan") in the amount of **\$1,000,000.00 (ONE MILLION DOLLARS)**. The Loan is a non-revolving facility and, accordingly no amounts repaid under the Loan may be reborrowed under the Loan and the limit of the Loan will be automatically and permanently reduced by the amount of any repayment made thereunder.
2. *Term.* The Loan (together with all accrued interest and all other amounts payable hereunder) shall be repaid in full on demand. If demand has not previously been made by the Credit Union, the outstanding amount under the Loan (together with all accrued interest and other amounts payable hereunder) shall be repaid in full upon the earlier of:
 - (a) August 4, 2021 (the "**Maturity Date**"); or
 - (b) the occurrence of an Event of Default.
3. *Interest.* Interest on the principal amount of the Loan and outstanding from time to time shall be calculated and accrue at a variable rate referred to in this Agreement as the "Variable Business Loan Rate". The Variable Business Loan Rate is equal to the PACE Base Rate as adjusted from time to time by the Credit Union, plus **0.50%**. At the date of this Agreement the Variable Loan Rate is **6.750%** per annum compounding monthly and the Variable Business Loan Rate, as determined above, is therefore **7.25 %** per annum compounding monthly. Interest shall be calculated daily on the daily closing principal balance owing hereunder in respect of the Loan, not in advance, and shall be payable both before and after default and/or judgment as well after as before maturity. Upon any change in the PACE Base Rate the new Variable Business Loan Rate, as calculated above, shall immediately become effective and apply to this loan. The Member or Guarantor is liable to repay the loan together with interest at the changed rate. The Credit Union shall notify the Member, and Guarantor (if any), of any change in the Variable Business Loan Rate as soon as possible, but the accidental omission to give notice of any such change shall not excuse the Member or Guarantor from liability to repay the loan together with interest at the changed rate. In the event of default, the Member agrees to pay all legal fees and expenses (on a solicitor and client basis) incurred by the Credit Union in collecting the said loan and interest. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
4. *Repayment.* Without limiting the right of the Credit Union to at any time demand repayment thereof and subject to and in addition to the requirement for repayment in full pursuant to Sections 2 and 11 of this Agreement, the Member shall make monthly blended payments (principal and interest) **in the sum of \$19,919.36** (the monthly payment) **on the 4th day of each month** until the full amount outstanding hereunder on account of the Loan has been paid. The first monthly payment shall be payable on the 4th day of the month immediately following the date the advance was made by the Credit Union to the Member.
5. *Application of Payments.* All payments made by the Member on account of the Loan shall be applied firstly on account of interest at the rate then in effect and secondly in reduction of the principal sum outstanding.
6. *Recordation.* The Credit Union shall open and maintain books of account evidencing all advances and all other amounts owing by the Member to the Credit Union under the Loan. The Credit Union shall enter in those books details of all amounts from time to time owing, paid or repaid by the Member, and this information shall constitute prima facie evidence of the obligations of the Member to the Credit Union under this Agreement with respect to all advances and all other amounts owing by the Member to the Credit Union under this Agreement. The failure of the Credit Union to correctly record any such amount or date shall not in any way affect the obligations of the Member to pay all amounts due to the Credit Union under this Agreement, pursuant to, and in accordance with this Agreement. After a request by the Member, the Credit Union shall promptly advise the Member of any entries

made in the Credit Union's books of account. Acceptance by the Member, without dispute, of the periodic statements pertaining to this Loan acknowledges the liability of the Member for advances made during the period covered by such statement.

7. *Security.* The Loan shall be evidenced or secured by the security as provided and set out in the Term Sheet and as the Credit Union may request from time to time (the "Security") which shall be provided contemporaneously with the execution of this Agreement, and shall be in form and substance satisfactory to the Credit Union and shall be supported by all necessary resolutions and opinions (each in form and substance satisfactory to the Credit Union and the Credit Union's counsel). Furthermore, the Member and Guarantor (if any) acknowledge that the Credit Union has at all times a lien against shares in the Credit Union owned by the Member or Guarantor and against such monies on deposit by the Member or Guarantor with the Credit Union. If the Member is in default under this Agreement, the Credit Union may apply such shares and deposits to repayment of any balance outstanding and the Credit Union shall retain the right to recover from the Member or Guarantor any deficiency should the balance outstanding exceed the value of such shares and deposits.
8. *Warranties and Representations.* The Member and corporate Guarantor (if any) makes the following representations and warranties to Credit Union, which representations and warranties are deemed to be repeated as at the time of each advance hereunder:
 - (a) It is a corporation duly organized, validly existing and duly registered or qualified to carry on business in the Province of Ontario, and has all requisite corporate power and authority to own, lease and operate its property and to conduct its business as such is presently conducted and as proposed to be conducted.
 - (b) The execution, delivery and performance by it of this Agreement and any other documents to which it is a party have been duly executed and delivered by them and constitutes a legal, valid and binding obligation of each of them enforceable against each of them in accordance with its respective terms and have been duly authorized by all necessary actions of its directors and shareholders, and do not violate its constituting documents or any applicable laws or agreements to which it is subject or by which it is bound.
 - (c) Its most recent financial statements provided to Credit Union accurately 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 no material adverse change has occurred affecting its business or financial condition.
 - (d) There is no claim, action, prosecution or other proceeding of any kind pending or threatened against it or any of its assets or properties before any court or administrative agency which relates to any non-compliance with any environmental law or any release from its lands of a contaminant into the natural environment or which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any of Credit Union's security, and there are no circumstances of which it is aware which might give rise to any such proceeding which it has not fully disclosed to Credit Union.
 - (e) It has good and marketable title to all of its properties and assets, free and clear of any mortgages, liens, claims, loans or encumbrances, other than those created hereunder or as otherwise disclosed to and approved by the Credit Union.
 - (f) It is in compliance in all material respects with all applicable laws including, without limitation, all environmental laws.
 - (g) It possesses all licenses, patents, trade-marks, service marks and copyrights, free from material restrictions, that are necessary for the ownership, maintenance and operation of its assets and businesses and it is not in violation of any rights of third parties with respect to any of the foregoing.
 - (h) No event has occurred which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any security agreement given in connection herewith.
 - (i) It has filed all material tax returns required to be filed by it, paid or made provision for payment of all taxes and claims ranking in priority to Credit Union's security (including interest and penalties) which are due and payable, and provided adequate reserves for payment of any tax, the payment of which is being contested.
 - (j) All information furnished by or on behalf of it in writing to the Credit Union in connection with the transaction contemplated hereby, is true and correct and does not omit any fact necessary in order to make such information not misleading.
9. *Conditions Precedent.* The availability and advance of the Loan hereunder is conditional upon the receipt of:
 - (a) a duly executed copy of this Agreement;
 - (b) the Security shall have been duly executed and delivered and, where required, registered;

- (c) such financial, corporate and other records or documents relating to Member and Guarantor, if any, as required by the Term Sheet and as the Credit Union may reasonably require have been delivered and approved by the Credit Union.
10. *Guarantor Provision.* In consideration of the Credit Union extending the Loan to the Member, and in addition to any guarantee and security agreement given by the Guarantor to the Credit Union, the Guarantor (and each of them jointly and severally, if more than one Guarantor) does hereby guarantee to the Credit Union repayment of the Loan including interest and costs as provided in this Agreement, as and when demanded by the Credit Union. In default of payment by the Member the Guarantor agrees that the balance then due shall be recoverable against the Guarantor. This guarantee shall be binding notwithstanding any extension of time for repayment or variation in the terms of payment which may be agreed upon between the Member and the Credit Union, and it shall not be necessary for the Credit Union to exhaust its recourse against the Member before being entitled to payment from the Guarantor.
11. *Event of Default.* Without limiting any other rights of the Credit Union under this Agreement, the Term Sheet, the Security and any other written agreement delivered in connection with the transaction hereof, if any one or more of the following events (herein an "Event of Default") has occurred and is continuing:
- (a) the failure by the Member or Guarantor, if any, to pay when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Credit Union;
 - (b) the failure of the Member or Guarantor, if any, to observe or perform any covenant or obligation applicable to it under this Agreement, if the Member or Guarantor, if any, fails to remedy such default within the earlier of ten (10) days from the date:
 - (i) it becomes aware of the default; and
 - (ii) the Credit Union delivers written notice of the such default to the Member or Guarantor.
 - (c) any default occurs under any other credit, loan or security agreement to which the Member or Guarantor, if any, is a party and such breach continues for ten (10) days after such Member or Guarantor shall have received written notice of same;
 - (d) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against the Member or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or the Member shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;
 - (e) a receiver is appointed over any property of the Member or any judgment or order or process of any court becomes enforceable against the Member or any property of the Member or any creditor takes possession of any property of the Member;
 - (f) any Security is or becomes illegal, invalid, prohibited or unenforceable and/or ceases to rank in the priority contemplated in the Term Sheet against the property charged thereunder;
 - (g) any representation or warranty made by the Member or Guarantor, if any, herein or in any Security or in any certificate or other document delivered to the Credit Union in connection herewith is false or misleading in any material respect; or
 - (h) in the opinion of the Credit Union, any adverse change has occurred in the financial condition or business of the Member or the Guarantor, if any, which may impair its ability or willingness to perform any of its obligations to the Credit Union or the Credit Union considers the security held to secure the Loan to be in jeopardy or the Credit Union considers itself insecure;

then, in such event, the Credit Union may, by written notice to the Member, declare the amount then outstanding under the Loan to be immediately due and payable. Upon receipt of such written notice, the Member shall immediately pay to the Credit Union all outstanding amounts under the Loan and all other obligations of the Member to the Credit Union in connection therewith. Upon a declaration that the Loan outstanding hereunder is immediately due and payable pursuant to this Section 11, the Credit Union may commence such legal action or proceedings as the Credit Union in its sole discretion deems expedient, including the commencement of enforcement proceedings under this Agreement, the Term Sheet, the Security and all other documents to be executed and delivered to the Credit Union by the Member or Guarantor, all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Member and Guarantor. The rights and remedies of the Credit Union under the this Agreement, the Term Sheet and the Security are cumulative and are in addition to, and not in substitution for, any other rights or remedies.

12. *Expenses.* The Member agrees to pay all fees (including legal fees on a solicitor and client basis), costs and expenses incurred by the Credit Union in connection with the preparation, negotiation and documentation of this Agreement and the Security, and the operation or enforcement of this Agreement and the Security. In addition to

any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including without limitation an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.

13. *Review.* Credit Union may conduct periodic reviews of the affairs of Member, as and when determined by Credit Union, for the purpose of evaluating the financial condition of Member. Member shall make available to Credit Union such financial statements and other information and documentation as Credit Union may reasonably require and shall do all things reasonably necessary to facilitate such review. The Member also agrees to promptly notify the Credit Union of any change of circumstances which renders inaccurate any of the information given to the Credit Union in applying for this Loan.
14. *Survival of Representations and Warranties.* The representations and warranties contained herein or made pursuant to this Agreement, the Term Sheet and all Security shall survive until the termination of this Agreement.
15. *Entire Agreement.* This Agreement and all attachments hereto, the Term Sheet, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement among the parties with respect to the Loan herein and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the transaction herein.
16. *Counterparts.* This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement and shall become effective when all counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.
17. *Joint and Several.* Where more than one Person is liable as Member or Guarantor, if any, for any obligation under this Agreement, the liability of each such Person for such obligation is joint and several with each other such Person. Where this agreement is signed by more than one party as Member, advances may be made to or at the request of any one or more of them, and their liability shall be joint and several. Periodic statements or other notices may be sent to any one Member on behalf of all. Any reference in this Agreement to "Member" shall be construed as if to read "Member or any one or more of them".
18. *Limitation Act 2002 (Ontario).* The parties acknowledge that this agreement is made for business purposes and is a "business agreement" as defined in the Limitations Act, 2002 (the "Act") and that no limitation periods found in the Act, other than the ultimate limitation period found in Section 15 of the Act, shall apply to the obligations imposed by this agreement.
19. *Non-Merger.* The provisions of this Agreement shall not merge with the Term Sheet and any other Security provided to Credit Union, but shall continue in full force for the benefit of the parties hereto.
20. *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given upon personal delivery, facsimile transmission (with written or facsimile confirmation of receipt), telex or delivery by a reputable overnight commercial delivery service (delivery, postage or freight charges prepaid), or on the fourth day following deposit in the mail (if sent by registered or certified mail, return receipt requested, delivery, postage or freight charges prepaid), addressed to the Member and/or Guarantor at the addresses appearing in the Credit Union's records and files, and if to the Credit Union to the address noted herein.
21. *Amendments.* This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.
22. *Waivers.* No failure or delay on the part of the Credit Union in exercising any right or power hereunder or under any security document shall operate as a waiver thereof. Guarantor agrees that the amendment or waiver of any provision of this Agreement (other than agreements, covenants or representations expressly made by Guarantor herein, if any) may be made without and does not require the consent or agreement of, or notice to, Guarantor.
23. *Governing Law.* This Agreement and the rights and obligations of the parties hereunder shall be governed in all respects by the laws of the Province of Ontario and the laws of Canada applicable therein.
24. *Assignment.* Member shall not assign or transfer or permit the assignment or transfer of any of its rights or obligations under this Agreement without the prior written consent of Credit Union. Credit Union may assign all or part of its rights and obligations under this Agreement to any person. Credit Union may disclose to potential or actual assignees confidential information regarding Member (including any such information provided by Member to Credit Union) and shall not be liable for any such disclosure).
25. *Severability.* Any portion or provision of the Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions or provisions hereof in such jurisdiction or, to the extent permitted by law, rendering that or any other portion or provision of the Agreement invalid, illegal or unenforceable in any other jurisdiction.
26. *Binding Effect.* This Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
27. *Time of Essence.* Time shall be of the essence in all provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

**PACE SAVINGS & CREDIT UNION
LIMITED**

Per: 

Name: SUZANNE HYDE
Title: MANAGER, COMMERCIAL SPECIAL LOANS

Per: 

Name: MARY BENINCASA
Title: CHIEF OPERATING OFFICER

We have the authority to bind the corporation

LIBERTY OIL & GAS LTD.

Per: 

Name: Jane Lowrie
Title: President

Per: 

Name: Jennifer Lewis
Title: Secretary Treasurer

I/we have the authority to bind the corporation

TRIBUTE RESOURCES INC.

Per: 

Name: Jane Lowrie
Title: President

Per: 

Name: Jennifer Lewis
Title: CFO

I/we have the authority to bind the corporation

478216

LOAN AMENDING AGREEMENT

DATE: APRIL 23, 2018.

Between: PACE SAVINGS & CREDIT UNION LIMITED (the "Credit Union")

And: LIBERTY OIL & GAS LTD. (the Borrower")

Whereas there is a loan agreement, loan or credit facility (the "Loan") under which the Borrower is liable to the Credit Union, the Loan being more particularly described as follows:

Original Date of the Loan: August 12, 2016

Description: Corporate Loan Variable

Original Principal Amount: \$1,000,000.00

Balance of Principal Remaining Unpaid: \$706,475.39

Original Terms for Repayment: Blended payments of \$19,919.36 on the 12th of each month

And whereas the Borrower has requested to change the date of payment;

Now therefore in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. New Repayment Requirements

- (a) Despite any previous agreement between the parties, The Borrower shall repay the Loan in accordance with the new repayment requirements set out in this section.
- (b) The Balance of Principal Remaining Unpaid on the Loan and interest thereon shall be repaid as follows:
 - on the same terms and conditions stipulated in the Loan except that the payment date shall be changed from the 12th day each month, to the 26th day each month, commencing May 26, 2018.

3. Interest

- (a) Nothing in this Agreement affects the Borrower's obligation to pay interest at the rate agreed with respect to the Balance of Principal Remaining Unpaid under the Loan (and on other amounts in respect of which interest is payable under the terms of the Loan) until such times as that balance is repaid, and all payments of interest shall be made punctually at the times and in the manner originally specified.
- (b) It is hereby understood and acknowledged that payments made pursuant to this Agreement shall be applied firstly to the payment of costs and fees, second on account of interest and third to the repayment of principal.

4. Non-Disturbance

Except as expressly provided in this Agreement, all terms and conditions set out in the original promissory note or agreement between the parties relating to the Loan, remain unaffected.

SIGNED, SEALED and DELIVERED as of the date first above written.

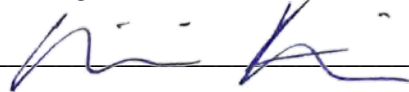
By 
Authorized Signing Official,


Title

TAB C

THIS IS EXHIBIT "C" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely

A handwritten signature in blue ink, appearing to read 'W. A. Bortolin', is written over a horizontal line.

William A. Bortolin

Commissioner for Taking Affidavits

VARIABLE RATE BUSINESS LOAN AGREEMENT

AGREEMENT MADE THIS 18TH DAY OF DECEMBER, 2017

BETWEEN: ON-ENERGY CORP.
(hereinafter called the "Member")

AND: CLEARBEACH RESOURCES INC.
(hereinafter collectively and individually called the "Guarantor")

AND: JANE E. LOWRIE
(hereinafter collectively and individually called the "Guarantor")

AND: PACE SAVINGS & CREDIT UNION LIMITED
(hereinafter called the "Credit Union")

WHEREAS the Member has applied to the Credit Union for a loan;

AND WHEREAS the Credit Union has agreed to extend credit to the Member on the terms and conditions set out in term sheet dated **December 14, 2017** (the "Term Sheet") for the purposes set out in the Term Sheet, subject to the following terms and conditions;

NOW THEREFORE in consideration of the premises and the covenants, agreements, representations and warranties hereinafter set forth, the parties hereto agree as follows:

1. *Loan.* Upon execution of this Agreement the Credit Union establishes in favour of the Member a non-revolving term facility (the "**Loan**") in the amount of **TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000.00)**. The Loan is a non-revolving facility and, accordingly no amounts repaid under the Loan may be reborrowed under the Loan and the limit of the Loan will be automatically and permanently reduced by the amount of any repayment made thereunder.
2. *Term.* The Loan (together with all accrued interest and all other amounts payable hereunder) shall be repaid in full on demand. If demand has not previously been made by the Credit Union, the outstanding amount under the Loan (together with all accrued interest and other amounts payable hereunder) shall be repaid in full upon the earlier of:
 - (a) **January 31, 2018** (the "**Maturity Date**"); or
 - (b) the occurrence of an Event of Default.
3. *Interest.* Interest on the principal amount of the Loan and outstanding from time to time shall be calculated and accrue at a variable rate referred to in this Agreement as the "Variable Business Loan Rate". The Variable Business Loan Rate is equal to the PACE Base Rate as adjusted from time to time by the Credit Union, **plus 0.500%**. At the date of this Agreement the Variable Loan Rate is **6.750%** per annum compounding monthly and the Variable Business Loan Rate, as determined above, is therefore **7.25%** per annum compounding monthly. Interest shall be calculated daily on the daily closing principal balance owing hereunder in respect of the Loan, not in advance, and shall be payable both before and after default and/or judgment as well after as before maturity. Upon any change in the PACE Base Rate the new Variable Business Loan Rate, as calculated above, shall immediately become effective and apply to this loan. The Member or Guarantor is liable to repay the loan together with interest at the changed rate. The Credit Union shall notify the Member, and Guarantor (if any), of any change in the Variable Business Loan Rate as soon as possible, but the accidental omission to give notice of any such change shall not excuse the Member or Guarantor from liability to repay the loan together with interest at the changed rate. In the event of default, the Member agrees to pay all legal fees and expenses (on a solicitor and client basis) incurred by the Credit Union in collecting the said loan and interest. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
4. *Repayment.* Without limiting the right of the Credit Union to at any time demand repayment thereof and subject to the requirement for repayment in full pursuant to Sections 2 and 11 of this Agreement.
5. *Application of Payments.* All payments made by the Member on account of the Loan shall be applied firstly on account of interest at the rate then in effect and secondly in reduction of the principal sum outstanding.
6. *Recordation.* The Credit Union shall open and maintain books of account evidencing all advances and all other

amounts owing by the Member to the Credit Union under the Loan. The Credit Union shall enter in those books details of all amounts from time to time owing, paid or repaid by the Member, and this information shall constitute prima facie evidence of the obligations of the Member to the Credit Union under this Agreement with respect to all advances and all other amounts owing by the Member to the Credit Union under this Agreement. The failure of the Credit Union to correctly record any such amount or date shall not in any way affect the obligations of the Member to pay all amounts due to the Credit Union under this Agreement, pursuant to, and in accordance with this Agreement. After a request by the Member, the Credit Union shall promptly advise the Member of any entries made in the Credit Union's books of account. Acceptance by the Member, without dispute, of the periodic statements pertaining to this Loan acknowledges the liability of the Member for advances made during the period covered by such statement.

7. *Security.* The Loan shall be evidenced or secured by the security as provided and set out in the Term Sheet and as the Credit Union may request from time to time (the "Security") which shall be provided contemporaneously with the execution of this Agreement, and shall be in form and substance satisfactory to the Credit Union and shall be supported by all necessary resolutions and opinions (each in form and substance satisfactory to the Credit Union and the Credit Union's counsel). Furthermore, the Member and Guarantor (if any) acknowledge that the Credit Union has at all times a lien against shares in the Credit Union owned by the Member or Guarantor and against such monies on deposit by the Member or Guarantor with the Credit Union. If the Member is in default under this Agreement, the Credit Union may apply such shares and deposits to repayment of any balance outstanding and the Credit Union shall retain the right to recover from the Member or Guarantor any deficiency should the balance outstanding exceed the value of such shares and deposits.
8. *Warranties and Representations.* The Member and corporate Guarantor (if any) makes the following representations and warranties to Credit Union, which representations and warranties are deemed to be repeated as at the time of each advance hereunder:
 - (a) It is a corporation duly organized, validly existing and duly registered or qualified to carry on business in the Province of Ontario, and has all requisite corporate power and authority to own, lease and operate its property and to conduct its business as such is presently conducted and as proposed to be conducted.
 - (b) The execution, delivery and performance by it of this Agreement and any other documents to which it is a party have been duly executed and delivered by them and constitutes a legal, valid and binding obligation of each of them enforceable against each of them in accordance with its respective terms and have been duly authorized by all necessary actions of its directors and shareholders, and do not violate its constituting documents or any applicable laws or agreements to which it subject or by which it is bound.
 - (c) Its most recent financial statements provided to Credit Union accurately 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 no material adverse change has occurred affecting its business or financial condition.
 - (d) There is no claim, action, prosecution or other proceeding of any kind pending or threatened against it or any of its assets or properties before any court or administrative agency which relates to any non-compliance with any environmental law or any release from its lands of a contaminant into the natural environment or which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any of Credit Union's security, and there are no circumstances of which it is aware which might give rise to any such proceeding which it has not fully disclosed to Credit Union.
 - (e) It has good and marketable title to all of its properties and assets, free and clear of any mortgages, liens, claims, loans or encumbrances, other than those created hereunder or as otherwise disclosed to and approved by the Credit Union.
 - (f) It is in compliance in all material respects with all applicable laws including, without limitation, all environmental laws.
 - (g) It possesses all licenses, patents, trade-marks, service marks and copyrights, free from material restrictions, that are necessary for the ownership, maintenance and operation of its assets and businesses and it is not in violation of any rights of third parties with respect to any of the foregoing.
 - (h) No event has occurred which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any security agreement given in connection herewith.
 - (i) It has filed all material tax returns required to be filed by it, paid or made provision for payment of all taxes and claims ranking in priority to Credit Union's security (including interest and penalties) which are due and payable, and provided adequate reserves for payment of any tax, the payment of which is being contested.

- (j) All information furnished by or on behalf of it in writing to the Credit Union in connection with the transaction contemplated hereby, is true and correct and does not omit any fact necessary in order to make such information not misleading.
9. *Conditions Precedent.* The availability and advance of the Loan hereunder is conditional upon the receipt of:
- (a) a duly executed copy of this Agreement;
 - (b) the Security shall have been duly executed and delivered and, where required, registered;
 - (c) such financial, corporate and other records or documents relating to Member and Guarantor, if any, as required by the Term Sheet and as the Credit Union may reasonably require have been delivered and approved by the Credit Union.
10. *Guarantor Provision.* In consideration of the Credit Union extending the Loan to the Member, and in addition to any guarantee and security agreement given by the Guarantor to the Credit Union, the Guarantor (and each of them jointly and severally, if more than one Guarantor) does hereby guarantee to the Credit Union repayment of the Loan including interest and costs as provided in this Agreement, as and when demanded by the Credit Union. In default of payment by the Member the Guarantor agrees that the balance then due shall be recoverable against the Guarantor. This guarantee shall be binding notwithstanding any extension of time for repayment or variation in the terms of payment which may be agreed upon between the Member and the Credit Union, and it shall not be necessary for the Credit Union to exhaust its recourse against the Member before being entitled to payment from the Guarantor.
11. *Event of Default.* Without limiting any other rights of the Credit Union under this Agreement, the Term Sheet, the Security and any other written agreement delivered in connection with the transaction hereof, if any one or more of the following events (herein an "Event of Default") has occurred and is continuing:
- (a) the failure by the Member or Guarantor, if any, to pay when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Credit Union;
 - (b) the failure of the Member or Guarantor, if any, to observe or perform any covenant or obligation applicable to it under this Agreement, if the Member or Guarantor, if any, fails to remedy such default within the earlier of ten (10) days from the date:
 - (i) it becomes aware of the default; and
 - (ii) the Credit Union delivers written notice of the such default to the Member or Guarantor.
 - (c) any default occurs under any other credit, loan or security agreement to which the Member or Guarantor, if any, is a party and such breach continues for ten (10) days after such Member or Guarantor shall have received written notice of same;
 - (d) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against the Member or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or the Member shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;
 - (e) a receiver is appointed over any property of the Member or any judgment or order or process of any court becomes enforceable against the Member or any property of the Member or any creditor takes possession of any property of the Member;
 - (f) any Security is or becomes illegal, invalid, prohibited or unenforceable and/or ceases to rank in the priority contemplated in the Term Sheet against the property charged thereunder;
 - (g) any representation or warranty made by the Member or Guarantor, if any, herein or in any Security or in any certificate or other document delivered to the Credit Union in connection herewith is false or misleading in any material respect; or
 - (h) in the opinion of the Credit Union, any adverse change has occurred in the financial condition or business of the Member or the Guarantor, if any, which may impair its ability or willingness to perform any of its obligations to the Credit Union or the Credit Union considers the security held to secure the Loan to be in jeopardy or the Credit Union considers itself insecure;

then, in such event, the Credit Union may, by written notice to the Member, declare the amount then outstanding under the Loan to be immediately due and payable. Upon receipt of such written notice, the Member shall immediately pay to the Credit Union all outstanding amounts under the Loan and all other obligations of the Member to the Credit Union in connection therewith. Upon a declaration that the Loan outstanding hereunder is immediately due and payable pursuant to this Section 11, the Credit Union may commence such legal action or proceedings as the Credit Union in its sole discretion deems expedient, including the commencement of enforcement proceedings under this Agreement, the Term Sheet, the Security and all other documents to be executed and delivered to the Credit Union by the Member or Guarantor, all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Member and Guarantor. The rights and remedies of the Credit Union under the this Agreement, the Term Sheet and the Security are cumulative and are in addition to, and not in substitution for, any other rights or remedies.

12. *Expenses.* The Member agrees to pay all fees (including legal fees on a solicitor and client basis), costs and expenses incurred by the Credit Union in connection with the preparation, negotiation and documentation of this Agreement and the Security, and the operation or enforcement of this Agreement and the Security. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including without limitation an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
13. *Review.* Credit Union may conduct periodic reviews of the affairs of Member, as and when determined by Credit Union, for the purpose of evaluating the financial condition of Member. Member shall make available to Credit Union such financial statements and other information and documentation as Credit Union may reasonably require and shall do all things reasonably necessary to facilitate such review. The Member also agrees to promptly notify the Credit Union of any change of circumstances which renders inaccurate any of the information given to the Credit Union in applying for this Loan.
14. *Survival of Representations and Warranties.* The representations and warranties contained herein or made pursuant to this Agreement, the Term Sheet and all Security shall survive until the termination of this Agreement.
15. *Entire Agreement.* This Agreement and all attachments hereto, the Term Sheet, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement among the parties with respect to the Loan herein and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the transaction herein.
16. *Counterparts.* This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement and shall become effective when all counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.
17. *Joint and Several.* Where more than one Person is liable as Member or Guarantor, if any, for any obligation under this Agreement, the liability of each such Person for such obligation is joint and several with each other such Person. Where this agreement is signed by more than one party as Member, advances may be made to or at the request of any one or more of them, and their liability shall be joint and several. Periodic statements or other notices may be sent to any one Member on behalf of all. Any reference in this Agreement to "Member" shall be construed as if to read "Member or any one or more of them".
18. *Limitation Act 2002 (Ontario).* The parties acknowledge that this agreement is made for business purposes and is a "business agreement" as defined in the Limitations Act, 2002 (the "Act") and that no limitation periods found in the Act, other than the ultimate limitation period found in Section 15 of the Act, shall apply to the obligations imposed by this agreement.
19. *Non-Merger.* The provisions of this Agreement shall not merge with the Term Sheet and any other Security provided to Credit Union, but shall continue in full force for the benefit of the parties hereto.
20. *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given upon personal delivery, facsimile transmission (with written or facsimile confirmation of receipt), telex or delivery by a reputable overnight commercial delivery service (delivery, postage or freight charges prepaid), or on the fourth day following deposit in the mail (if sent by registered or certified mail, return receipt requested, delivery, postage or freight charges prepaid), addressed to the Member and/or Guarantor at the addresses appearing in the Credit Union's records and files, and if to the Credit Union to the address noted herein.
21. *Amendments.* This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.
22. *Waivers.* No failure or delay on the part of the Credit Union in exercising any right or power hereunder or under any security document shall operate as a waiver thereof. Guarantor agrees that the amendment or waiver of any provision of this Agreement (other than agreements, covenants or representations expressly made by Guarantor herein, if any) may be made without and does not require the consent or agreement of, or notice to, Guarantor.

23. *Governing Law.* This Agreement and the rights and obligations of the parties hereunder shall be governed in all respects by the laws of the Province of Ontario and the laws of Canada applicable therein.
24. *Assignment.* Member shall not assign or transfer or permit the assignment or transfer of any of its rights or obligations under this Agreement without the prior written consent of Credit Union. Credit Union may assign all or part of its rights and obligations under this Agreement to any person. Credit Union may disclose to potential or actual assignees confidential information regarding Member (including any such information provided by Member to Credit Union) and shall not be liable for any such disclosure).
25. *Severability.* Any portion or provision of the Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions or provisions hereof in such jurisdiction or, to the extent permitted by law, rendering that or any other portion or provision of the Agreement invalid, illegal or unenforceable in any other jurisdiction.
26. *Binding Effect.* This Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
27. *Time of Essence.* Time shall be of the essence in all provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

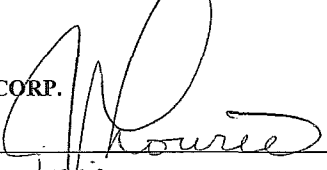
PACE SAVINGS & CREDIT UNION LIMITED

Per: 
Name: _____
Title: _____

Per: 
Name: _____
Title: _____

We have the authority to bind the corporation

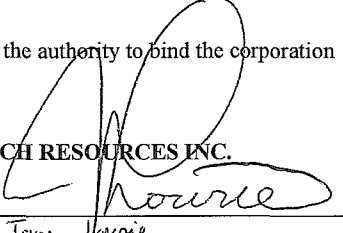
ON-ENERGY CORP.

Per: 
Name: Jane Lowrie
Title: President

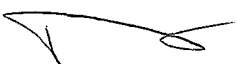
Per: _____
Name: _____
Title: _____

I/we have the authority to bind the corporation

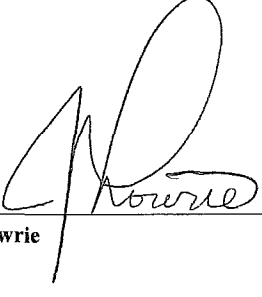
CLEARBEACH RESOURCES INC.

Per: 
Name: Jane Lowrie
Title: President

Per: _____
Name: _____
Title: _____



Witness



Jane E. Lowrie

7/15/18

LOAN AMENDING AGREEMENT

DATE: APRIL 23, 2018.

Between: PACE SAVINGS & CREDIT UNION LIMITED (the "Credit Union")

And: ON-ENERGY CORP. (the Borrower")

Whereas there is a loan agreement, loan or credit facility (the "Loan") under which the Borrower is liable to the Credit Union, the Loan being more particularly described as follows:

Original Date of the Loan: December 18, 2017

Description: Corporate Loan Variable

Original Principal Amount: \$2,500,000.00

Balance of Principal Remaining Unpaid: \$2,500,000.00

Original Terms for Repayment: Payments of Interest only on the 18th of each month

And whereas the Borrower has requested to change the date of payment;

Now therefore in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. New Repayment Requirements

- (a) Despite any previous agreement between the parties, The Borrower shall repay the Loan in accordance with the new repayment requirements set out in this section.
- (b) The Balance of Principal Remaining Unpaid on the Loan and interest thereon shall be repaid as follows:
 - on the same terms and conditions stipulated in the Loan except that the payment date shall be changed from the 18th day each month, to the 26th day each month, commencing May 26, 2018.

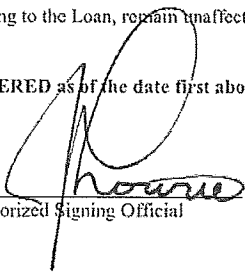
3. Interest

- (a) Nothing in this Agreement affects the Borrower's obligation to pay interest at the rate agreed with respect to the ~~Balance of Principal Remaining Unpaid under the Loan (and on other amounts in respect of which interest is~~ payable under the terms of the Loan) until such times as that balance is repaid, and all payments of interest shall be made punctually at the times and in the manner originally specified.
- (b) It is hereby understood and acknowledged that payments made pursuant to this Agreement shall be applied firstly to the payment of costs and fees, second on account of interest and third to the repayment of principal.


4. Non-Disturbance

Except as expressly provided in this Agreement, all terms and conditions set out in the original promissory note or agreement between the parties relating to the Loan, remain unaffected.

SIGNED, SEALED and DELIVERED as of the date first above written.

By 
Authorized Signing Official

Title


President

TAB D

THIS IS EXHIBIT "D" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits

CREDIT FACILITY AGREEMENT

Made as of the 15th day of February, 2018,

B E T W E E N :

ON-ENERGY CORP.

a corporation formed under the laws of Ontario,

(hereinafter referred to as the “**Borrower**”),

- and -

CLEARBEACH RESOURCES INC. and LIBERTY OIL & GAS LTD.

as guarantors,

(hereinafter referred to collectively as “**Guarantors**” and each of them “**Guarantor**”).

- and -

PACE SAVINGS & CREDIT UNION LIMITED

as lender,

(hereinafter referred to as the “**Lender**”).

WHEREAS the Borrower has requested that the Lender make available to the Borrower a term loan and the Lender has agreed to make such loan available to the Borrower upon and subject to the terms and conditions set forth in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the premises, the covenants herein contained and other valuable consideration, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

“**Affiliate**” means an affiliated body corporate, partnership, joint venture or other entity and, for the purposes of this Agreement, (i) one body corporate, partnership, joint venture or other entity is affiliated with another if one such body corporate, partnership, joint venture or other entity is the Subsidiary of the other or both are Subsidiaries of the same body corporate, partnership, joint venture or other entity or each of them is controlled by the same Person and (ii) if two bodies corporate, partnerships, joint ventures or other entities are affiliated with the same body corporate, partnership, joint venture or other entity at the same time, they are deemed to be affiliated with each other;

"Agreement" means this agreement and all Schedules attached hereto as the same may be amended, restated, modified, replaced or superseded from time to time;

"Applicable Law" or **"Law"** means, with respect to any Person, property, transaction, condition or event, any present or future (i) domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, convention, rule, regulation, restriction or by-law (zoning or otherwise); (ii) judgment, order, writ, injunction, decision, direction, determination, ruling, decree or award; (iii) regulatory policy, practice, ruling, interpretation, guideline, requirement or directive; or (iv) Authorization, binding on or affecting the Person, property, transaction or event referred to in the context in which the term is used in each case whether or not having the force of law;

"Arm's Length" has the meaning ascribed thereto for the purposes of the *Income Tax Act* (Canada) in effect as of the date hereof;

"Assets" means, with respect to any Person, any property, assets and undertakings of such Person of every kind and wheresoever situate, whether now owned or hereafter acquired (and, for greater certainty, includes any equity or like interest of any Person in any other Person);

"Assumed Tribute Obligations" means the obligations of Tribute Resources Inc. to the Lender which the Borrower assumed as part of the consideration for the transfer of Assets by Tribute Resources Inc. to the Borrower pursuant to an Asset Purchase and Sale Agreement dated July 1, 2017, as may be amended from time to time;

"Authorization" means, with respect to any Person, any order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, exemption, waiver, registration or other authorization of any Governmental Authority having jurisdiction over such Person or the property and assets of such Person, whether or not having the force of Law;

"Banking Day" means a day, other than a Saturday or a Sunday or other day on which banks are required or authorized to close in Toronto, Canada;

"Borrower" means On-Energy Corp. and its permitted successors and assigns;

"Canadian Dollars" means the lawful currency of Canada in immediately available funds;

"Claim" means, with respect to any Person, any actual or prospective action, suit, order, charge, penalty, claim, demand, litigation, investigation or proceeding of any kind or nature whatsoever against or otherwise involving such Person or the property or assets of such Person;

"Closing Date" means February ____, 2018;

"Collateral" means the Assets of the Borrower in respect of which the Lender has or will have a Security Interest pursuant to the Security Documents;

"Constating Documents" means, in the case of a corporation incorporated under the laws of the Province of Ontario or the federal laws of Canada, the articles (within the meaning of the Applicable Law) and the by-laws of the corporation; in the case of a partnership, the partnership

agreement and the limited partnership declaration, if applicable; in the case of a trust, the declaration of trust or trust deed;

“Credit Parties” means the Borrower and the Guarantors and **“Credit Party”** shall mean each one of them;

“Debt” of any Person means (without duplication) all obligations of such Person which in accordance with GAAP should be classified upon a balance sheet of such Person as liabilities of such Person;

“Debt Service Coverage Ratio” means, in respect of the Credit Parties, the amount determined at any time, in accordance with the formula A/B where for any period:

- (a) **“A”** is EBITDA of the Credit Parties; and
- (b) **“B”** is the aggregate amount of all interest payments and scheduled principal repayments and other financing charges paid (or payable), or projected to be payable, as the case may be, by the Credit Parties, during such period with respect to Debt, all as determined in accordance with GAAP;

“Default” means an event, condition or circumstance, the occurrence or non-occurrence of which would, with the giving of a notice, lapse of time, the making of any determination, or any combination thereof, constitute an Event of Default unless remedied within the prescribed delays or waived in writing by the Lender;

AEBITDA@ means, in respect of any fiscal period of the Credit Parties, the combined net income of the Credit Parties for such fiscal period before deduction of interest, income taxes, depreciation and amortization, and excluding any additions or subtractions arising from any extraordinary, unusual or non-recurring items and any unrealized losses or gains resulting from market to market foreign currency hedges, all without duplication all determined in accordance with GAAP;

“Environmental Claims” include, without limitation: (i) any Claim by any Governmental Authority instituted, pending or completed or, to the best of the knowledge of the Borrower, threatened or anticipated, pursuant to any Environmental Laws against the Borrower, the Property, any real property owned or leased by the Borrower or managed by or under control of the Borrower, other Assets of the Borrower or any other property that the Borrower had charge, management or control over; and (ii) any Claim made or, to the best of the knowledge of the Borrower, threatened or anticipated, by any third party against the Borrower, the Property or any Assets of the Borrower resulting from or relating to any Environmental Laws or any Hazardous Substance;

“Environmental Laws” means all Applicable Laws relating to the environment, occupational health and safety, Hazardous Substances, pollution or protection of the environment, including Applicable Laws relating to (i) on-site or off-site contamination; (ii) occupational health and safety relating to Hazardous Substances; (iii) chemical substances or products; (iv) Releases of Hazardous Substances into the environment; and (v) the manufacture, processing, distribution, use, treatment, storage, transport, disposal or handling of, or containment, investigation, clean-up or other remediation of or corrective action for Hazardous Substances;

“Environmental Permits” include all Authorizations issued to the Borrower pursuant to Environmental Laws and required for the design, siting, construction, connection, operation, maintenance, use, occupancy and upkeep or the use or ownership of any real property (including the Property) or other Assets of the Borrower;

“Equity Securities” means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and non-voting) of, such Person’s capital, whether outstanding on the date hereof or issued after the date hereof, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, options or other rights exchangeable for or convertible into any of the foregoing;

“Event of Default” has the meaning specified in Section 8.1;

“Financial Statements” means, in respect of any particular Fiscal Year, accountant prepared minimum Review Engagement financial statements of the Borrower, as at the last day of such Fiscal Year, and the related income statements, cash flow statements and changes in shareholders’ equity for such Fiscal Year and the accompanying notes thereto of the Borrower, prepared in accordance with GAAP and setting forth in each case, in comparative form, figures for the corresponding period in the preceding Fiscal Year, all in reasonable detail and fairly presenting in all material respects the financial position and the results of operations of the Borrower as at the date thereof and for the Fiscal Year then ended, certified by the accountant.

“Financing Documents” shall mean this Agreement, the Initial Financing Agreement and the Security Documents;

“Fiscal Year” means, in respect of the Borrower, its fiscal year commencing on January 1 of each calendar year and ending on _____ of such calendar year;

“GAAP” means generally accepted accounting principles in effect from time to time in Canada, applicable to the relevant Person, applied in a consistent manner from period to period;

“Governmental Authority” means the government, parliament or legislature of Canada or any other nation, or of any political subdivision thereof, whether provincial, state, municipal or local, and any agency, authority, instrumentality, ministry, department, tribunal, regulatory body, Commission, board, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, Superintendent of Financial Institutions or other comparable authority or agency;

“Guarantee” means the guarantee of each Guarantor to the Lender of the obligations of the Borrower;

“Guarantors” means Clearbeach Resources Inc. and Liberty Oil & Gas Ltd and **“Guarantor”** shall mean either one of them;

“Hazardous Substance” means any substance, material or waste regulated, listed or prohibited by Environmental Laws including: (i) those things included in the definition of “contaminants”,

“pollutants”, “substances”, “hazardous wastes”, “deleterious substances”, “dangerous goods”, “hazardous substances”, “toxic substances” or “waste” under Environmental Laws; or (ii) any substance, material or waste that is (a) petroleum hydrocarbons, (b) asbestos, (c) polychlorinated biphenyls, (d) metals, (e) polyaromatic hydrocarbons, (f) flammable explosives or (g) radioactive materials;

“**HST**” means any harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada);

“**Initial Financing Agreement**” mean the term sheet dated October 16, 2017 issued by the Lender to the Borrower, as may be amended from time to time;

“**Lease**” means each lease of the part of the Property between the Borrower, and the Property Owner pursuant to which the Borrower is permitted to use and occupy such respective part of the Property for the purpose of exploration for and development, production, processing, transportation and marketing of Petroleum Substances, as listed in Schedule A, and “**Leases**” means all of such leases;

“**Lien**” means any right to any property, or the income or benefits flowing therefrom, which secures an obligation due to a Person or a claim of such Person, whether such interest is based on the common law, statute or contract, and includes any security interest, hypothec, pledge, mortgage, privilege, prior claim, lien, charge, assignment, transfer, cession, encumbrance, capital lease, synthetic lease, instalment sale, conditional sale or trust receipt or a consignment or bailment for security purposes. The term “Lien” shall include reservations, exceptions, encroachments, easements, servitudes, rights-of-way, covenants, conditions, restrictions and other title exceptions and encumbrances (including, with respect to Equity Securities, agreements having the effect of restricting the ability, in any material respect, of a Person to fulfill its obligations hereunder, voting trust agreements and all similar arrangements) affecting property;

“**Material Agreement**” means any agreement governing the constitution, management or operations of the Borrower, and any other agreement, contract or document which is material to the business, operations or financial condition of the Borrower or the breach, non-performance or cancellation of which or the failure of which to renew would reasonably be expected to have a material adverse effect and which cannot promptly be replaced by all alternative comparable contracts with comparable commercial terms, and “**Material Agreements**” means all of such agreements and documents;

“**Maturity Date**” means one (1) year from the Closing Date;

“**Obligations**” means, all of the Borrower’s present and future indebtedness, liabilities and obligations of any and every kind, nature or description whatsoever (whether direct or indirect, joint or several or joint and several, absolute or contingent, matured or unmatured, in any currency and whether as principal debtor, guarantor, surety or otherwise, including any interest that accrues thereon or would accrue thereon but for the commencement of any case, proceeding or other action, whether voluntary or involuntary, relating to the bankruptcy, insolvency or reorganization whether or not allowed or allowable as a claim in any such case, proceeding or other action) to the Lender under, in connection with, relating to or with respect to each of the Financing Documents, and any unpaid balance thereof;

“Officer’s Certificate” means, in respect of any Person, a certificate signed by a Senior Officer of such Person;

“Payment Date” means the ____ day of each month and the date of any repayment or prepayment of the Term Loan;

“Permitted Debt” means:

- (a) Debt hereunder or under any other Financing Document;
- (b) trade accounts due and payable within 60 days that are unsecured obligations incurred in the ordinary course of business (but excluding Debt for borrowed money); and
- (c) Debt consented to in writing by the Lender from time to time;

“Permitted Lien” means, with respect to any Person:

- (a) Liens for Taxes, rates, assessments or other governmental charges or levies the payment of which is not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which reserves have been maintained in accordance with GAAP;
- (b) undetermined or inchoate Liens, rights of distress and charges incidental to current operations which have not at such time been filed or exercised, or which relate to obligations not due or payable or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which reserves have been maintained in accordance with GAAP;
- (c) the Liens resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workers’ compensation, unemployment insurance, surety or appeal bonds, costs of litigation when required by law, liens and claims incidental to current construction, mechanics’, warehousemen’s, carriers’ and other similar liens, and public, statutory and other like obligations incurred in the ordinary course of business;
- (d) Liens given to a public utility or any Governmental Authority when required by such utility or Governmental Authority in connection with the operations of that Person in the ordinary course of its business;
- (e) the Liens created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in a Default or Event of Default;
- (f) the Liens created by the Security Documents for the benefit of the Lender;

- (g) statutory Liens incurred or pledges or deposits made in favour of a Governmental Authority to secure the performance of obligations of any Person under Environmental Laws to which any assets of such Person are subject, provided that no Default or Event of Default shall have occurred and be continuing; and
- (h) any other Liens expressly consented to in writing by all of the Lender;

“Person” means an individual, body corporate with or without share capital, partnership, limited partnership, joint venture, unincorporated association, syndicate, sole proprietorship, trust, pension fund, union, Governmental Authority and the heirs, beneficiaries, executors, legal personal representatives and administrators of an individual;

“PPSA” means the *Personal Property Security Act* (Ontario);

“Property” means any and all real property owned or leased by the Borrower, including without limitations the properties leased under the Leases;

“Property Owner” means the owner of each Property from time to time;

“Petroleum Substances” means petroleum, crude oil, crude bitumen, synthetic crude oil, oilsands, bituminous sands, natural gas, natural gas liquids, condensate, related hydrocarbons and any and all other substances, whether liquid, solid or gaseous, whether hydrocarbon or not, produced or producible in association with or derived from any of the foregoing, including hydrogen sulphide, sulphur and coke;

“Release” when used as a verb, includes release, spill, leak, emit, deposit, discharge, leach, migrate or disposal of a Hazardous Substance into the environment and the term “Release” when used as a noun has a correlative meaning;

“Security Documents” means the agreements described in Section 7.1 and any other security granted to the Lender as security for the obligations of the Borrower under this Agreement and the other Financing Documents including all guarantees and pledge agreements referred to therein;

“Security Interest” has the meaning given thereto in the PPSA;

“Senior Officer” means, in respect of any Person, the individual holding from time to time the position of the president, a vice-president, a director, the chief executive officer or the chief financial officer of that Person;

“Subsidiary” means, at any time, as to any Person, any corporation, company or other Person (other than a natural person), (i) if at such time the first mentioned Person owns, directly or indirectly, Equity Securities in such corporation, company or other Person having ordinary voting power to elect a majority of the board of directors or Persons performing similar functions for such corporation, company or other Person or (ii) such corporation, company or other Person is Controlled by the first mentioned Person;

“Taxes” includes all present and future income, corporation, capital gains, capital and value-added, harmonized sales taxes and goods and services taxes and all stamp and other taxes and

levies, imposts, deductions, duties, charges and withholdings whatsoever imposed by any Governmental Authority, together with interest thereon and penalties with respect thereto, if any, and charges, fees and other amounts made on or in respect thereof; and

“**Term Loan**” means the non-revolving term loan provided by the Lender to the Borrower hereunder in the maximum principal amount not to exceed \$2,000,000;

1.2 Headings

The division of this Agreement into Articles and Sections and the insertion of an index and headings are for convenience of reference only and shall not affect the construction or interpretation hereof. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section, paragraph or other portion hereof and include any agreement supplemental hereto. Save as expressly provided herein, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Extended Meanings

Words importing the singular number only shall include the plural and vice versa, and words importing any gender shall include all genders. The term “including” means “including without limitation”.

1.4 Accounting Terms and Practices

Unless otherwise provided herein, all accounting terms referred to herein shall be construed in accordance with GAAP and all financial data submitted pursuant to this Agreement shall be prepared in accordance with GAAP, consistently applied.

1.5 Non-Banking Days

Whenever any payment to be made hereunder is stated to be due or any action to be taken hereunder is stated to be required to be taken on a day other than a Banking Day, such payment shall be made or such action shall be taken on the next succeeding Banking Day and, in the case of the payment of any monetary amount, the extension of time shall be included for the purposes of computation of interest or fees thereon.

1.6 References to Time of Day

Except as otherwise specified herein, a time of day shall be construed as a reference to Toronto, Canada time.

1.7 Severability

In the event that one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any Applicable Law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

1.8 Currency

All monetary amounts in this Agreement refer to Canadian Dollars unless otherwise specified.

ARTICLE 2 THE TERM LOAN

2.1 Term Loan

The Lender agrees to make available to the Borrower the Term Loan in a principal amount not to exceed \$2,000,000.00 on the terms and subject to the conditions set forth herein. The Term Loan shall be advanced in a single advance on the Closing Date, subject to the satisfaction of the conditions precedent in Section 4.1.

2.2 Purpose

The Term Loan is being made available to the Borrower by the Lender solely for the purpose of: (i) repayment of the balance of the Assumed Tribute Obligations in accordance with the statements attached hereto as Schedule "B"; (ii) repayment of the Clearbeach Loan (**NTD: requires definition**); and (iii) working capital.

2.3 Repayments and Monthly Payments

Provided that the Term Loan is not prepaid or earlier accelerated in accordance with Article 8, the Borrower shall pay to the Lender a monthly payment (which includes principal based on a 10-years amortization of the Term Loan, together with interest thereon in accordance with Section 2.5, payable in arrears on the Payment Day during the Term, with the balance of the principal amount outstanding under the Term Loan, together with all accrued and unpaid interest and fees thereon, to be paid on the Maturity Date. Based on the applicable Interest Rate as of the date hereof, the monthly payment is \$23,480.21.

2.4 Optional Prepayments

The Borrower may prepay the whole of the principal balance of the Term Loan, or any part thereof, at any time or times, by paying, in addition to such prepayment, all interest accrued to the date of such payment.

2.5 Interest

Interest shall accrue on the unpaid outstanding balance of the Term Loan at a variable rate equal to the Pace Base Rate PLUS 0.50% (the "**Interest Rate**") which interest shall be calculated and compounded monthly. At the date hereof the "Pace Base Rate" is 6.75% per annum compounding monthly and the applicable Interest Rate, as determined above, is therefore 7.25% per annum compounding monthly. Upon any change in the "Pace Base Rate" the new Interest Rate, as calculated above, shall immediately become effective and apply to the Term Loan. The Lender shall notify the Borrower, and Guarantor (if any), of any change in the Interest Rate as soon as possible, but the inadvertent omission to give notice of any such change shall not excuse the Borrower or Guarantor from liability to repay the Term Loan together with interest at the changed rate. Interest is payable both before and after any or all of default, demand and judgment. Any amount of principal and accrued interest which is not paid when due shall bear interest at the Interest Rate from the date on which such amount is due until such amount is paid in full, payable on demand.

ARTICLE 3 GENERAL MATTERS RELATING TO THE TERM LOAN

3.1 Method and Place of Payment

- (a) Each payment to be made by the Borrower under this Agreement shall be made without deduction, set-off or counterclaim.
- (b) All payments of principal, interest and fees hereunder shall be made for value at or before 12:00 noon (Toronto time) on the day such amount is due by deposit or transfer thereof to the account of the Lender maintained at the principal office of the Lender in Vaughan, Ontario or such other place as the Borrower and the Lender may from time to time agree. Payments received after such time shall be deemed to have been made on the next following Banking Day.

3.2 Criminal Rate of Interest

Notwithstanding the foregoing provisions of this Article 3, or any other provision of this Agreement, the Borrower shall in no event be obliged to make any payments of interest or other amounts payable to the Lender hereunder in excess of an amount or rate which would be prohibited by law or would result in the receipt by the Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

3.3 Compliance with the Interest Act (Canada)

For the purposes of this Agreement, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

ARTICLE 4 CONDITIONS PRECEDENT

4.1 Conditions for Closing

The obligation of the Lender to advance the Term Loan is subject to the following conditions being fulfilled or performed as of each of the date hereof and as of the Closing Date to the satisfaction of the Lender (including as to the form and substance of each document referred to in this Section 4.1):

- (a) This Agreement and each of the Financing Documents shall have been duly authorized, executed and delivered to the Lender by the Borrower and the other parties thereto, and shall constitute a legal, valid and binding obligation of the Borrower and such other parties;
- (b) The Lender shall be satisfied, acting reasonably, with its due diligence review of material issues related to the Borrower, the Borrower's business and operations,

the Borrower's Assets, and all other material environmental, engineering, interconnection, regulatory, permitting, real property, aboriginal and technical matters;

- (c) The Lender shall have received a certificate of a Senior Officer of each Credit Party addressed to the Lender, certifying (and where applicable, attaching certified copies of):
 - (i) its Constating Documents;
 - (ii) resolutions of its board of directors (or, where applicable, of similar authorizing groups) authorizing its execution, delivery and performance of the Financing Documents to which it is a party; and
 - (iii) the names and (in the case of Persons executing Financing Documents on behalf of such Person) true signatures of the directors, officers and other authorized signatories of such Person;
- (d) The Lender shall have received certificates of good standing or like certificates in respect of each Credit Party issued by appropriate government officials of its jurisdiction of organization;
- (e) The Financing Documents shall be in full force and effect;
- (f) A true, accurate and complete copy of each of the duly executed Material Agreements, in each case, together with all amendments thereto (including by way of side letters or otherwise), certified by appropriate officers of the Borrower, shall have been delivered to the Lender;
- (g) Each Credit Party shall have delivered to the Lender its unaudited balance sheet as at the Closing Date;
- (h) The Borrower shall deliver satisfactory evidence of insurance complying with the Lender's insurance requirements;
- (i) All fees and reimbursable expenses payable to the Lender and its advisors under the Financing Documents shall have been paid in full by the Borrower, or the Lender shall be satisfied that all such fees and expenses will be paid on the Closing Date from the proceeds of the advance of the Term Loan;
- (j) All registrations, filings or recordings necessary to preserve, protect or perfect the enforceability and first priority of the Liens created under or pursuant to the Security Documents (subject only to Permitted Liens) shall have been completed in all relevant jurisdictions;
- (k) All representations and warranties of each Credit Party contained in this Agreement and all representations of the Credit Parties contained in the Initial Financing Agreement shall be true and correct on and as of the Closing Date as though made on and as of such date, and the Lender shall have received a

certificate of a Senior Officer of each such Person certifying the same with respect to such Person;

- (l) No Default or Event of Default shall have occurred and be continuing, or would occur as a result of the entering into of this Agreement or the other Financing Documents, and the Lender shall have received an Officer's Certificate to such effect;
- (m) The Lender shall have received such "know your customer" documentation as the Lender may reasonably request; and
- (n) The Lender shall have received such other documents and deliverables that the Lender may request, acting reasonably, to address bona fide concerns of a secured lender that arise out of the bona fide due diligence findings of the Lender.

The conditions set forth in this Section 4.1 are inserted for the sole benefit of the Lender and may be waived by the Lender in writing, in whole or in part at any time, with or without terms or conditions.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Credit Parties

Each Credit Party represents and warrants as follows to the Lender and acknowledges and confirms that the Lender is relying upon such representations and warranties as an inducement to the entering into by them of this Agreement and to the advance of the Term Loan:

- (a) **Status.** It is a corporation duly created and validly existing under the laws of Ontario and has all necessary power and authority to operate and conduct its business as presently conducted and to own or lease its properties and assets in each jurisdiction where such properties and assets are situated or such business is conducted.
- (b) **Power and Authority.** it has full corporate power and authority to enter into the Financing Documents, and to do all acts and things and execute and deliver all documents as are required thereunder to be done, observed or performed by it in accordance with the terms thereof.
- (c) **Authorization and Enforceability.** The execution and delivery of this Agreement, each of the other Financing Documents and all documents, instruments and agreements required to be executed and delivered by the Credit Parties pursuant to the Financing Documents, and the performance of their respective obligations under the Financing Documents, have been duly authorized by all necessary corporate action on its part and constitutes a legal, valid and binding obligation enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws of general application affecting the enforceability of remedies

and rights of creditors and except that equitable remedies such as specific performance and injunction are in the discretion of a court.

- (d) **Conflict with Constating Documents and Agreements.** Neither the execution and delivery of this Agreement or the Financing Documents nor the consummation by it of any of the transaction herein contemplated, nor compliance by it with the terms, conditions and provisions hereof and thereof, will conflict with or result in a breach of any of the terms, conditions or provisions of:
 - (i) its respective Constating Documents;
 - (ii) any of its resolutions;
 - (iii) any other agreement, instrument or arrangement to which it is now a party or by which it or its properties are, or may be, bound, or will constitute a material default thereunder;
 - (iv) any judgment or order, writ, injunction or decree of any court; or
 - (v) any Applicable Law.
- (e) **Third Party Consents.** All required third party consents which are required with respect to (i) the execution and delivery by it of, and performance of its obligations under, the Financing Documents to which it is a party, and (ii) the assignment and grant of the security interests by it in its Assets in accordance with the Security Documents have been received.
- (f) **Liabilities.** It has no Debt except Permitted Debt and except in respect of liabilities that have arisen in the ordinary course of the management of its affairs, and it has no financial obligations other than Permitted Debt.
- (g) **Delivery of Agreements, etc.** The copy of its Constating Documents, together with all amendments thereto certified by appropriate officers and delivered to the Lender, are true and accurate. The Borrower has delivered to the Lender copies of all Material Agreements.
- (h) **Material Agreements.**
 - (i) As at the date hereof, except as disclosed to the Lender, the Borrower is not a party or otherwise subject to or bound or affected by any material agreement.
 - (ii) Each of the Material Agreements is in full force and effect, unamended except as permitted by Section 6.2(d) and constitutes a valid and legally binding obligation of each of the parties thereto, enforceable against each such party in accordance with their respective terms except as may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws of general application affecting the enforceability of remedies and rights of creditors and except that equitable

remedies such as specific performance and injunction are in the discretion of a court. All obligations and covenants set forth in the Material Agreements required to be met or complied with have been met or complied with in all material respects.

- (i) **Financial Statements and No Material Adverse Effect.** The most recent financial statements delivered by it to the Lender fairly present in all material respects its financial condition as at such date and the results of its operations for the fiscal period then ended, in accordance with GAAP consistently applied; since the date of such financial statements, there has been no event which could reasonably be expected to result in a material adverse effect on the respective Credit Party.
- (j) **Litigation.** There are no actions, suits or proceedings pending or, to the best of its knowledge and belief, threatened against or affecting any Credit Party, its respective Assets, the Leases or any of its respective undertaking, property and assets, at law, in equity or before any arbitrator or before or by any Governmental Authority.
- (k) **Licences, etc. and Compliance with Laws.** All Authorizations required to enable the Borrower to operate and conduct its business to the extent now required having regard to its present status of operation, maintenance, use, occupancy or upkeep and to execute, deliver and perform its obligations under any Financing Documents or Material Agreement to which it is a party, have been duly obtained and are currently subsisting. It has complied in all respects with all terms and provisions presently required to be complied with by them in all such Authorizations and with all Applicable Law and they are not in violation of any of the respective provisions thereof.
- (l) **Environmental Matters.** It has not and, to the best of the its knowledge, the Property Owner has not generated, stored or Released any Hazardous Substances at, upon, into or from the Property except in compliance with Environmental Law; (A) it is not aware of the presence of Hazardous Substances at, upon, in or from the Property except in compliance with Environmental Law; and (B) its business complies with Environmental Law and is operated in compliance with all Environmental Permits.
- (m) **Ownership of Property.** The Borrower owns its Assets (including without limitation, the Leases) with good and marketable title thereto. To the knowledge of the Borrower, each Property Owner owns the respective Property with good and marketable title thereto.
- (n) **No Default or Event of Default.** No Default or Event of Default has occurred and is continuing.
- (o) **No Action for Winding-Up or Bankruptcy.** There has been no voluntary or involuntary action taken either by or against any Credit Party for winding-up, dissolution, liquidation, bankruptcy, receivership, administration or similar or

analogous events in respect of a Credit Party or all or any material part of their respective assets or revenues.

- (p) **Taxes.** It has filed all tax returns which were required to be filed, paid all Taxes (including interest and penalties) which are due and payable other than any Tax the payment of which is being contested in good faith and for which adequate reserves are being maintained in accordance with GAAP.
- (q) **Security.** The security constituted by the Security Documents constitutes a valid and perfected first ranking charge or Lien (subject to Permitted Liens) upon its interests in all of its Assets, including, without limitation, each of the Leases, free and clear of all Liens except Permitted Liens. All necessary registrations, filings or recordings of the Liens or notice or renewals thereof, have been made in all relevant jurisdictions and no further action is necessary in order to establish and perfect the Liens over all of the its Assets, including the Leases.
- (r) **Subsidiaries.** The Borrower has no Subsidiaries and no investment or Equity Securities in any Person.
- (s) **Year-End.** The fiscal year end of the Borrower is December 31.
- (t) **Insurance.** All policies of fire, liability, workers' compensation, casualty, flood, business interruption and other forms of insurance owned or held by the Borrower are: (i) sufficient for compliance with all requirements of Applicable Law and the Material Agreements; (ii) are valid, outstanding and enforceable policies; (iii) provide adequate insurance coverage in at least such amounts and against at least such risks (but including in any event, public liability) as would be prudent for Persons engaged in similar businesses and owning similar properties and assets in the same general areas in which the Borrower operates; and (iv) satisfy any requirements of the Lender, acting reasonably. All such policies are in full force and effect, all premiums with respect thereto have been paid in accordance with their respective terms, and no notice of cancellation or termination has been received with respect to any such policy. The Borrower does not maintain any formalized self-insurance program with respect to its Assets or operations or material risks with respect thereto, other than as consented to by the Lender.

The representations and warranties set out in this Section 5.1 shall survive the execution and delivery of this Agreement and the advance of the Term Loan notwithstanding any investigations or examinations which may be made by the Lender, its advisors or its counsel.

ARTICLE 6 COVENANTS

6.1 Affirmative Covenants

Each Credit Party covenants and agrees with the Lender that, unless the Lender otherwise consents in writing, so long as the Term Loan is outstanding or any Credit Party has any obligations under this Agreement:

- (a) **Financial Reporting.** It shall furnish Lender (1) within one hundred twenty (120) days after the end of each fiscal year, its Financial Statements; (2) within sixty (60) days after the end of each quarter of its fiscal year, its balance sheet as at the end of such quarter and the related statement of income and statement of changes in financial position for such quarter, prepared in accordance with GAAP; (3) within twenty (20) Business Days after the preceding calendar month end a monthly report which shall include a balance sheet, profit and loss statement, and aged accounts receivables and accounts payable listings; and (4) within thirty (30) days after the date on which they are filed, all reports, notices, payments, remittances and other filings required to be made by it to any Governmental Authority evidencing that all Taxes are paid when due.
- (b) **Debt Service Coverage Ratio.** It shall maintain at all times, a minimum Debt Service Coverage Ratio of 1.25:1, to be determined as at the end of each Fiscal Year (although required to be maintained at all times) for the preceding Fiscal Year.
- (c) **Status.** Subject to Section 6.2(a), it shall remain a corporation duly organized and validly subsisting under the laws of Canada, and registered or otherwise qualified in all material respects to carry on business in each jurisdiction where necessary to conduct its business.
- (d) **Prompt Payment and Performance.** It will duly and punctually pay all sums of money due and payable by it under, and otherwise perform and cause to be performed the terms of this Agreement and all other Financing Documents at the time and place and in the manner provided herein and therein.
- (e) **Business Reports.** The Borrower shall deliver to the Lender (1) within twenty (20) Business Days after the preceding calendar month end, a monthly report which includes an inventory listing and a production and revenue listings; (2) within one hundred twenty (120) days after the end of each fiscal year, an annual independent engineering report confirming the petroleum and gas reserves of the Borrower, in a form and substance satisfactory to the Lender;
- (f) **Notice of Event of Default.** It will deliver to the Lender, forthwith upon becoming aware of any Default or Event of Default, a written notice specifying such Default or Event of Default together with a statement of it officer setting forth details of such Default or Event of Default and the action which has been, or is proposed to be, taken with respect thereto.
- (g) **Other Notifications.** It shall promptly notify the Lender of (and if applicable provide to the Lender copies of such documents):
 - (i) any change in its name or jurisdiction of incorporation or organization and of any change in the location of the registered office or chief executive office or material assets of any of them which are subject to a Lien in favour of the Lender promptly and in any event at least 15 Banking Days prior to any such change;

- (ii) any actions, suits or proceedings of which it becomes aware which are pending against or, to the best of its information, knowledge and belief, affecting it or any of its business, undertaking, property and assets at law, in equity or before any arbitrator or before or by any Governmental Authority promptly and in any event within three Banking Days of becoming so aware;
 - (iii) any proposed material amendment to a Material Agreement, promptly and in any event at least 15 Banking Days prior to such amendment being entered into;
 - (iv) the occurrence of any proceeding for the expropriation of any of its Assets, promptly and in any event within one Banking Day of becoming aware of such event;
 - (v) any cancellation or material change in the terms, coverages or amounts of any insurance, promptly and in any event within three Banking Days of becoming aware of such change;
 - (vi) any dispute, alleged default or event which could cause or which could permit any Person to terminate a Material Agreement and any notice of default received under a Material Agreement, promptly and in any event within one Banking Day of becoming aware of such event; and
 - (vii) such other matters or information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of any Credit Party as the Lender may from time to time reasonably request.
- (h) **Notice of Liens.** Promptly upon receipt of written notice of or otherwise becoming aware that there is a preserved or perfected Lien (other than a Permitted Lien) against its Assets or any part thereof, it shall discharge or cause to be discharged such Lien.
- (i) **Necessary Authorizations.** It shall obtain (as and when required), maintain in full force and effect and, where applicable, renew and comply in all material respects with the terms of all material Authorizations from, and make such filings with, any Governmental Authority as may be necessary to carry on its business, to own, lease and operate its properties and to enable it to enter into and perform its obligations under each of the Financing Documents and each of the Material Agreements and to render each Financing Document and each Material Agreement legal, valid, binding and enforceable.
- (j) **Payment of Taxes.** It shall pay or cause to be paid, when due, all Taxes, property taxes, business taxes, social security premiums, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any property belonging to it unless any such Tax, social security premiums, assessment, charge or levy is contested by it in good faith with appropriate reserves, and to collect and remit when due all payroll and withholding taxes.

- (k) **Insurance.** It shall maintain the insurances of the types and amounts, and with such insurance companies, as required by the Lender, acting reasonably, from time to time and shall cause the Lender, to be endorsed as the "sole" loss payee on such policies of insurance for loss of property (including any resulting loss of revenues) in respect of all of its property and the Lender as an additional insured under all property and liability policies (with the exception of workers compensation) and provide a waiver of subrogation in their favour.
- (l) **Visitation and Inspection Rights.** It shall permit any authorized representatives of the Lender, upon reasonable prior written notice and at reasonable times, to carry out inspections of its Assets; provided that such inspections shall be carried out in compliance with the Leases and are in compliance with all generally applicable health, safety and security procedures and Applicable Law.
- (m) **Keeping of Books.** It shall keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and its assets and business in accordance with GAAP consistently applied, and shall permit the Lender to inspect such books and records upon reasonable prior notice.
- (n) **Compliance with Material Agreements.** It shall comply in all respects and perform its obligations under all Material Agreements.
- (o) **Use of Insurance Proceeds.** If it receives proceeds from policies of insurance in respect of any of its Assets in respect of which a security interest has been granted pursuant to the Security Documents, such proceeds shall be used, or committed to be used, in either case within 180 days, to repair or replace the assets in respect of which the insurance proceeds were received or if not so used or committed, shall be treated as proceeds of disposition of assets and shall be applied to repayment of the Term Loan.
- (p) **Perfection of Security.** It shall provide the Lender with such assistance and do such things as may be required or as the Lender may from time to time reasonably request so that the Security Documents will be and remain registered, recorded or filed from time to time in such manner and in such places as may in the reasonable opinion of the Lender be necessary to perfect the Liens constituted thereby.
- (q) **Ranking.** It shall ensure that the Obligations under the Financing Documents at all times shall rank as senior secured obligations in priority in right of payment to all other obligations of the Credit Parties (other than those obligations that are secured by a Permitted Lien).
- (r) **Repair.** If any part of its Assets is damaged or destroyed, if reconstruction, restoration or repair of the damaged or destroyed property is necessary in order that such damage or destruction does not materially and adversely affect its business and operations or the performance of its obligations under the Material Agreements or its ability to comply with its obligations under this Agreement or the other Financing Documents, then it shall reconstruct, restore or repair the damaged or destroyed property.

- (s) **Operation.** It shall keep and operate its business, or cause the same to be kept and operated, in good operating condition consistent in all material respects with (i) all Applicable Laws, and (ii) all applicable requirements of the Leases. In addition, it will also make or cause to be made all repairs (structural and non-structural, extraordinary or ordinary) necessary to keep and operate its Assets in such condition.

6.2 Negative Covenants

Each Credit Party covenants and agrees with the Lender that, unless the Lender otherwise consents in writing, so long as the Term Loan is outstanding or any Credit Party has any obligations under this Agreement:

- (a) **No Merger, Amalgamation, etc.** It will not merge or amalgamate pursuant to statutory authority or otherwise with any other Person.
- (b) **Restriction on Disposition of Assets.** It shall not sell, assign, transfer, lease, convey, mortgage, pledge or otherwise dispose of any interest in the Leases or any property, assets or investments, or grant any option or other right to purchase, lease or otherwise acquire any material assets, other than the sale or disposition of damaged or obsolescent equipment which it is replacing or is no longer useful in the business, in each case in the ordinary course of business.
- (c) **Negative Pledge.** It shall not create, incur, assume or permit to exist any Lien, other than Permitted Liens, on any of its property, undertaking or assets now owned or hereafter acquired.
- (d) **Restriction on Amendment of Material Agreements, etc.** It shall not amend, restate, supplement or otherwise modify, waive or release, cancel or terminate, or give any consent or approval to any amendment or modification to, or waiver, release, cancellation or termination in respect of, any Material Agreement except for non-material amendments.
- (e) **Restriction on Non-Arm's Length Transactions.** It shall not enter into any transaction or agreement with any Person which is not at Arm's Length with it, unless such transaction or agreement is on terms no less favourable to it as would be obtainable in a comparable transaction with a Person which is at Arm's Length with it.
- (f) **Restriction on Debt and Other Liabilities.** It shall not create, incur, assume or suffer to exist any Debt other than Permitted Debt.
- (g) **Restriction on Transfers of Equity Securities.** It may transfer its Equity Securities without consent to its Affiliate, provided that such Affiliate enters into such Financing Documents in respect of the transferred ownership as are necessary or desirable to put the Lender in the same position of security against the transferee as they were with the transferor. Any transfer other than to an Affiliate shall require the prior written consent of the Lender, such consent not to be unreasonably withheld or delayed.

- (h) **Change in Structure.** It shall not make any changes in its share capital structure, or amend its constating documents (including any shareholder agreement).
- (i) **Shareholders Loans.** It shall not accept a loan, advance or other payment from any shareholder or from any other Person who does not deal at arm's length with it until such shareholder or other Person executes and delivers to the Lender a subordination and postponement of claim on the Lender's required form, supported by an opinion of corporate counsel and security registration to the extent deemed necessary or advisable by lender's counsel.
- (j) **No Distribution.** It shall not distribute any dividends or other cash distributions to its shareholders, without the prior written consent of the Lender.
- (k) **Payments of Non-Arm's Length Debt.** It shall be entitled to make any payments or repayments of principal, interest, fees or costs on account of any Debt owing to any Person not dealing at arm's length with it or any of its shareholder, without the prior written consent of the Lender which consent shall not be unreasonable withheld.
- (l) **Legal Name.** It shall not change its legal, trade or business name without providing the Lender 15 Banking Days' prior written notice.
- (m) **No Proceedings for Insolvency.** It shall not commence any proceeding for its dissolution, liquidation or winding-up or for the suspension of its respective operation or to appoint a receiver, a receiver and manager or trustee for it or for any substantial part of its Assets which is material to the conduct of its business or any proceeding relating to them under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute of any jurisdiction whether now or hereafter in effect or approve of or acquiesce in any such proceeding.

ARTICLE 7 SECURITY

7.1 Security Documents

As security for the Term Loan and as security for all its other liability or indebtedness, both present and future, under any Financing Documents and for all other Obligations, the Credit Parties shall deliver, or cause to be delivered, to the Lender, the following documents (collectively, the "**Security Documents**"):

- (a) on or before the Closing Date:
 - (i) a demand debenture from the Borrower providing for a first charge and security interest (subject only to Permitted Liens) on all the then present and future real property (including the leasehold interest under the Leases);

- (ii) a general security agreement from the Borrower providing for a first charge and security interest in all personal property, fixed assets, equipment, accounts receivable, inventory, intellectual property and all other assets and undertaking of the Borrower;
- (iii) Guarantee and Postponement of Claims from Clearbeach Resources Inc. in the amount of \$2,000,000.00;
- (iv) a demand debenture from Clearbeach Resources Inc. providing for a first charge and security interest (subject only to Permitted Liens) on all the then present and future real and personal property;
- (v) a general security agreement from Clearbeach Resources Inc. providing for a first charge and security interest in all its personal property, fixed assets, equipment, accounts receivable, inventory, intellectual property and all other assets and undertaking;
- (vi) Guarantee and Postponement of Claims from Liberty Oil & Gas Ltd. in the amount of \$2,000,000.00;
- (vii) a demand debenture from Liberty Oil & Gas Ltd. providing for a first charge and security interest (subject only to Permitted Liens) on all the then present and future real and personal property;
- (viii) a general security agreement from Liberty Oil & Gas Ltd. providing for a first charge and security interest in all its personal property, fixed assets, equipment, accounts receivable, inventory, intellectual property and all other assets and undertaking; and
- (ix) such other documents as the Lender may now or hereafter reasonably require to give effect to, register and perfect the security interests created by the documents referred to in this Section 7.1, in the jurisdiction where such charged assets are located.

ARTICLE 8

DEFAULT AND ACCELERATION

8.1 Events of Default

The occurrence of any one or more of the following events (each such event after the expiry of the cure period, if any, provided in connection therewith, being herein referred to as an “**Event of Default**”) shall constitute a Default under this Agreement:

- (a) if the Borrower shall fail to pay the monthly payments on the Term Loan as provided in Section 2.3 within 2 Business Days of the due date;
- (b) if the Borrower or any Guarantor shall default in any material respect in the observance or performance of any agreement, covenant or condition contained in the Financing Documents and, if capable of remedy, such default shall not be

remedied within a period of 30 days after notice in writing thereof is given by the Lender to the Borrower or Guarantor;

- (c) if any of the representations or warranties made by any Credit Party in Section 5.1 or under any Financing Document or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Financing Document shall prove to have been incorrect in any material respect when made or deemed to be made, unless such incorrect representation or warranty is capable of being corrected and that Credit Party, in good faith, is diligently pursuing the correction of such incorrect representation or warranty, in which case such Credit Party shall have 30 days to correct such incorrect representation or warranty;
- (d) if any Credit Party, shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally as they become due or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against it seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property) shall occur;
- (e) if any Credit Party, the Property Owner or any other Person having care or control of the Assets given as security in favour of the Lender (i) shall be the subject of any Environmental Claim, including a Claim pertaining to the discovery of any Hazardous Substance on the Property, or (ii) the Release by such entity of any Hazardous Substance on the Property or any violation of any Environmental Law shall occur, unless the same are being contested actively and diligently in good faith by appropriate and timely proceedings;
- (f) if the obligations of the Credit Parties herein or under any other Financing Document shall cease to constitute the legal, valid and binding obligations of the Credit Parties or shall cease to be in full force and effect or any Financing Document is declared to be void or voidable, in each case, as a result of any act or omission of the Borrower or any Guarantor or is repudiated by the Borrower or any Guarantor or the validity, binding effect, legality or enforceability of any Financing Document is at any time contested or denied by the Borrower or any Guarantor;
- (g) if the perfection or priority of the Security Interest in favour of the Lender constituted by the Security Documents is adversely affected and the Lender

determines, in their unfettered discretion, that their security position is materially adversely affected;

8.2 Acceleration

Upon the occurrence of an Event of Default and at any time thereafter while an Event of Default is continuing, the Lender may, by written notice to the Credit Parties declare the Term Loan and all other Obligations under any Financing Document to be immediately due and payable (whereupon the same shall become so payable together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or declare the Term Loan to be due and payable on demand of the Lender.

If, pursuant to this Section 8.2, the Lender declares the Term Loan to be due and payable on demand, then, and at any time thereafter, the Lender may by written notice to the Borrower call for repayment of the Term Loan on such date or dates as it may specify in such notice (whereupon the same shall become due and payable on such date together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or withdraw its declaration with effect from such date as it may specify in such notice.

8.3 Remedies Cumulative and Waivers

It is expressly understood and agreed that the rights and remedies of the Lender hereunder, and under any other instrument executed pursuant to this Agreement (including the other Financing Documents), are cumulative and are in addition to and not in substitution for any rights or remedies provided by Law or by equity; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any such other instrument shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lender may be lawfully entitled for such default or breach. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein or in any other instrument executed pursuant to this Agreement and any indulgence granted, either expressly or by course of conduct, by the Lender shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lender under this Agreement or any such other instrument as a result of any other default or breach hereunder or under any such instrument.

ARTICLE 9 GENERAL

9.1 Term

This Agreement (other than the provisions hereof which by their terms expressly survive termination hereof) shall expire on the date that the Term Loan has been repaid in full, together with accrued interest thereon, all other amounts due to the Lender hereunder has been paid and the Lender has no further obligations under this Agreement.

9.2 Survival

All covenants, agreements, representations, indemnities and warranties made herein or in certificates delivered in connection herewith by or on behalf of the Borrower shall survive the execution and delivery of this Agreement and shall continue in full force and effect so long as there is any obligation of the Borrower to the Lender hereunder.

9.3 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the Borrower and the successors and permitted assigns of the Lender.

9.4 Notices

All notices, requests, demands or other communications to or from the parties hereto shall be in writing and shall be given by overnight delivery service, by hand delivery or by telecopy to the addressee as follows:

(a) If to the Borrower:

Facsimile:
Attention:

(b) If to Clearbeach Resources Inc.

(c) If to Liberty Oil & Gas Ltd.

(d) If to the Lender:

PACE Savings & Credit Union Limited
8111 Jane Street
Suite 1
Vaughan, Ontario L4K 4L7

Facsimile:
Attention: Manager, Commercial Credit

or at such other address or to such other individual as the Borrower may designate by notice to the Lender or the Lender may designate by notice to the Borrower, as the case may be. If any notice, request, demand or other communication is delivered or transmitted on a day other than a

Banking Day or after 3:00 p.m. on any Banking Day, the same shall be deemed to have been effectively given and received on the next following Banking Day.

9.5 Amendment and Waiver

This Agreement and documents collateral hereto may be modified or amended and a waiver of any breach of any term or provision of this Agreement shall be effective only if the Borrower, the Guarantors and Lender agree in writing. A waiver of any breach of any term or provision of this Agreement shall be limited to the specific breach waived.

9.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in Ontario. The parties hereto agree that any legal suit, action or proceeding arising out of this Agreement may be instituted in the courts of Ontario, and the parties hereto hereby accept and irrevocably submit to the non-exclusive jurisdiction of said courts and acknowledge their competence and agree to be bound by any judgment thereof.

9.7 Further Assurances

The Borrower and each Guarantor, at its expense, will promptly execute and deliver, or cause to be executed and delivered, to the Lender, upon request, all such other and further documents, agreements, certificates and instruments necessary or desirable to be in compliance with, or in respect of the accomplishment of the covenants and agreements of the Borrower and Guarantors hereunder or to more fully state the obligations of the Borrower and Guarantors as set out in any Financing Document or to make any recording, file any notice or obtain any consents, all as may be necessary or appropriate in connection therewith.

9.8 Successors and Assigns

This Agreement shall inure to the benefit of Lender, its successors and assigns, and shall be binding upon the successors of Borrower and Guarantors. The rights and obligations of Borrower under this Agreement may not be assigned or delegated. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Lender's rights and obligations hereunder, in the Financing Documents and/or the Obligations held by it to others at any time and from time to time; and Lender may disclose to any such purchaser, assignee, transferee or participant (the "**Participant**"), or potential Participant, this Agreement and all information, reports, financial statements and documents executed or obtained in connection with this Agreement which Lender now or hereafter may have relating to the Loan, Credit Parties, or the business of the Credit Parties. Each Credit Party hereby grants to any Participant all liens, rights and remedies of Lender under the provisions of this Agreement or any other documents relating hereto or under applicable laws. Each Credit Party agrees that any Participant may enforce such liens and exercise such rights and remedies in the same manner as if such Participant were Lender and a direct creditor of the Credit Party.

9.9 Counterparts

This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement.

9.10 Paramountcy

In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Financing Document, the provisions giving the Lender greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and all of the other Financing Documents is to add to, and not detract from, the rights granted to the secured party under the Financing Documents.

9.11 Time of the Essence

Time shall be of the essence in this Agreement.

9.12 Indemnity and Expenses

- (a) Each Credit Party will indemnify the Lender from and against any and all Claims, liabilities, losses, costs and expenses which the Lender may suffer or incur as a result of the Lender's entry into or exercise of any rights under any of the Financing Documents, save and except to the extent attributable to the Lender's gross negligence or wilful misconduct.
- (b) The Borrower and each Guarantor shall pay promptly on demand all costs and expenses incurred by the Lender (including fees and expenses of counsel, accountants and their experts and all Lender's administrative fees) in connection with the administration, interpretation and preservation and enforcement of the Financing Documents.

9.13 Membership

The rights of the Borrower under this Agreement are subject to the condition that it remain a member of the Lender until the expiration of the ninety (90) day period next following the date on which the Borrower gives notice of its intention to withdraw from membership in the Lender, or on such earlier date as may be specified by the Lender. Where the Borrower ceases to be a member of the Lender, the Borrower shall thereupon repay all amounts advanced and outstanding under this Agreement.

[Remainder of page blank.]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

ON-ENERGY CORP.

By: 

Name: Jane E. Laurie

Title: President

By: 

Name: Jamie Cruik

Title: Secretary

I/we have the authority to bind the Corporation

CLEARBEACH RESOURCES INC.

By: 

Name: Jane E. Laurie

Title: President

By: 

Name: Jamie Cruik

Title: ~~Secretary~~ P Secretary

I/we have the authority to bind the Corporation

LIBERTY OIL & GAS LTD.

By: 

Name: Jane E. Laurie

Title: President

By: _____

Name:

Title:

I/we have the authority to bind the Corporation

**PACE SAVINGS & CREDIT UNION
LIMITED**

By: 

Name: Loraine Hubsberger

Title: VP. COMM. Credit

By: 

Name: SUZANNE HYDE

Title: MANAGER, COMMERCIAL SPECIAL LOANS

I/we have the authority to bind the Corporation

SCHEDULE A
LEASES

SCHEDULE B
ASSUMED TRIBUTE OBLIGATIONS

46728

LOAN AMENDING AGREEMENT

DATE: APRIL 23, 2018.

Between: PACE SAVINGS & CREDIT UNION LIMITED (the "Credit Union")

And: ON-ENERGY CORP. (the Borrower")

Whereas there is a loan agreement, loan or credit facility (the "Loan") under which the Borrower is liable to the Credit Union, the Loan being more particularly described as follows:

Original Date of the Loan: March 8, 2018

Description: Corporate Loan Variable

Original Principal Amount: \$2,000,000.00

Balance of Principal Remaining Unpaid: \$1,983,584.87

Original Terms for Repayment: Blended payments of \$23,496.29 on the 8th of each month

And whereas the Borrower has requested to change the date of payment;

Now therefore in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. New Repayment Requirements

- (a) Despite any previous agreement between the parties, The Borrower shall repay the Loan in accordance with the new repayment requirements set out in this section.
- (b) The Balance of Principal Remaining Unpaid on the Loan and interest thereon shall be repaid as follows:
 - on the same terms and conditions stipulated in the Loan except that the payment date shall be changed from the 8th day each month, to the 26th day each month, commencing May 26, 2018.

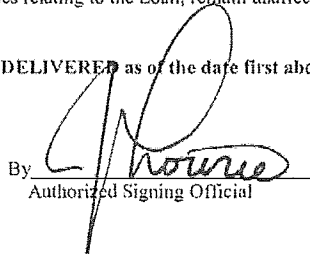
3. Interest

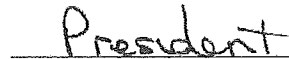
- (a) Nothing in this Agreement affects the Borrower's obligation to pay interest at the rate agreed with respect to the Balance of Principal Remaining Unpaid under the Loan (and on other amounts in respect of which interest is payable under the terms of the Loan) until such times as that balance is repaid, and all payments of interest shall be made punctually at the times and in the manner originally specified.
- (b) It is hereby understood and acknowledged that payments made pursuant to this Agreement shall be applied firstly to the payment of costs and fees, second on account of interest and third to the repayment of principal.

4. Non-Disturbance

Except as expressly provided in this Agreement, all terms and conditions set out in the original promissory note or agreement between the parties relating to the Loan, remain unaffected.

SIGNED, SEALED and DELIVERED as of the date first above written.

By 
Authorized Signing Official


Title

T A B E

THIS IS EXHIBIT "E" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits

D. Robb English
Direct: 416.865.4748
E-mail: renglish@airdberlis.com

July 13, 2020

DELIVERED BY COURIER

Clearbeach Resources Inc.
2807 Woodhull Road
London, ON N6K 4S4

Attention: Jane Lowrie

Dear Ms. Lowrie:

RE: PACE Savings & Credit Union Limited ("PACE") loans to Clearbeach Resources Inc.

We are the lawyers for PACE in connection with its lending arrangements with the Debtor.

The Debtor is indebted to PACE with respect to certain credit facilities (the "**Credit Facilities**") made available by PACE to the Debtor pursuant to and under the terms of the following (collectively, and as each may have been further amended, replaced, restated or supplemented from time to time, the "**Credit Agreement**"):

- a) Loan Agreement dated August 7, 2014 in the amount of \$6,000,000.00 made between PACE and Clearbeach Resources Inc.; and
- b) Loan Agreement dated August 4, 2016 in the amount of \$1,000,000.00 originally made between PACE and Liberty Oil & Gas Limited (now by amalgamation being Clearbeach Resources Inc.);
- c) Loan Agreement dated December 18, 2017 in the amount of \$2,500,000.00 originally made between PACE and ON-Energy Corp. (now by amalgamation being Clearbeach Resources Inc.); and
- d) Loan Agreement dated February 15, 2018 in the amount of \$2,000,000 originally made between PACE and ON-Energy Corp. (now by amalgamation being Clearbeach Resources Inc.).

The following amounts are owing for principal, interest and fees pursuant to the Credit Facilities, plus costs and expenses, pursuant to the Credit Agreement as of July 10, 2020:

Loan Number: 37877	Indebtedness
Principal Balance	\$3,819,260.30
Interest calculated to July 10, 2020	\$77,873.53
Late Interest	\$1,566.53
Interest Rate @ P+0%	
Per Diem @ \$732.46	
Sub-total	\$3,898,700.36

Loan Number: 46728	
Principal Balance	\$1,753,470.00
Interest calculated to July 10, 2020	\$71,071.07
Late Interest	\$2,611.95
Sundry Balance	\$360.00
Interest Rate @ P+5.0%	
Per Diem @ \$360.30	
Sub-total	\$1,827,513.02
Loan Number: 46486	
Principal Balance	\$2,500,000.00
Interest calculated to July 10, 2020	\$101,134.47
Late Interest	\$1,743.12
Sundry Balance	\$648.16
Interest Rate @ P+0.5%	
Per Diem @ \$513.70	
Sub-total	\$2,603,525.75
Loan Number: 42216	
Principal Balance	\$549,150.78
Interest calculated to July 10, 2020	\$56,614.58
Late Interest	\$15,897.30
Interest Rate @ P+0.5%	
Per Diem @ \$112.84	
Sub-total	\$621,662.66
Total of all loans	\$8,951,401.79

Certain Events of Default have occurred under the Credit Agreement. Accordingly, on behalf of PACE, we hereby make formal demand for payment of \$8,951,401.79, together with accruing interest and any and all costs and expenses (including, without limitation, any additional legal and other professional fees) incurred by PACE (collectively, the “**Indebtedness**”). Payment is required to be made immediately. Interest continues to accrue on the Indebtedness at the rates established by the Credit Agreement and any other agreement, as applicable.

If payment of the Indebtedness is not received forthwith, PACE shall take whatever steps it considers necessary or appropriate to collect and recover the amounts owing to it, including, without limitation, steps to appoint an interim receiver, receiver or receiver and/or manager of the Debtor, in which case PACE will also be seeking all costs incurred in so doing.

On behalf of PACE, we also enclose a Notice of Intention to Enforce Security delivered pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA Notice**”).

PACE hereby reserves its rights to initiate proceedings within the ten (10) day period set out in the BIA Notice, if circumstances warrant such proceedings.

Please govern yourself accordingly.

Yours truly,

AIRD & BERLIS LLP

D. Robb English

D. Robb English

DRE/ph
Encl.

cc: Client

NOTICE OF INTENTION TO ENFORCE SECURITY
(Bankruptcy and Insolvency Act, Subsection 244(1))

Delivered By Courier

TO: **Clearbeach Resources Inc.**
 2807 Woodhull Road
 London, ON N6K 4S4

insolvent company / person

TAKE NOTICE that:

1. PACE Savings & Credit Union Limited ("PACE"), a secured creditor, intends to enforce its security on the property of the insolvent company/person described below:
 - (a) All of the assets and undertakings of Clearbeach Resources Inc. (the "**Debtor**"), including, without limiting the generality of the foregoing, all the equipment, accounts, proceeds, books and records, inventory, leaseholds and all other personal property interests of Clearbeach Resources Inc..
 - (b) All of the Debtor's assets and undertaking including real property interests, including oil and gas leases and licenses as set out in the schedule to the debenture.
 - (c) Specific assignments of all monies due under contracts with Union Gas Limited and Marcus Terminals Inc.
 - (d) All of the assets and undertakings of Liberty Oil & Gas Ltd.(now by amalgamation being Clearbeach Resources Inc.), including, without limiting the generality of the foregoing, all the equipment, accounts, proceeds, books and records, inventory, leaseholds and all other personal property interests of Clearbeach Resources Inc.
 - (e) All of the Debtor's property and assets including all real property interests in the form of oil and gas leases and licenses as set out in the schedule to the debenture.
 - (f) All of the assets and undertakings of ON-Energy Corp.(now by amalgamation being Clearbeach Resources Inc.), including, without limiting the generality of the foregoing, all the equipment, accounts, proceeds, books and records, inventory, leaseholds and all other personal property interests of Clearbeach Resources Inc..
 - (g) All of the Debtor's assets and undertaking including real property interests, including oil and gas leases and licenses as set out in the schedule to the debenture.
2. The security that is to be enforced is in the form of, *inter alia*:
 - (a) a general security agreement between the Debtor and PACE dated September 20, 2016, which grants PACE, amongst other things, a security interest in any of and all of the Debtor's property, assets and undertakings;

- (b) a Fixed and Floating Demand Debenture Charge in the amount of \$8,000,000.00 granted by the Debtor and registered in the Land Registry Office for Lambton No. 25 at Sarnia as instrument No. L964881;
 - (c) an assignment of monies from Union Gas Limited and Marcus Terminals Inc. dated August 19, 2014, which grants PACE, amongst other things, a security interest in all right, title, interest benefit in and to the payments Marcus Terminals Inc. and Union Gas Limited must make to the Debtor pursuant to the contract they have entered into;
 - (d) a general security agreement between the Liberty Oil & Gas Ltd.(now by amalgamation being Clearbeach Resources Inc.) and PACE dated August 8, 2016, which grants PACE, amongst other things, a security interest in any of and all of the Debtor's property, assets and undertakings;
 - (e) a Fixed and Floating Demand Debenture Charge in the amount of \$1,800,000.00 granted by Liberty Oil & Gas Ltd.(now by amalgamation being Clearbeach Resources Inc.) and registered in the Land Titles Office for Chatham-Kent as instrument No. CK126883;
 - (f) a general security agreement between ON-Energy Corp (now by amalgamation being Clearbeach Resources Inc.) and PACE dated February 15, [year missing], which grants PACE, amongst other things, a security interest in any of and all of the Debtor's property, assets and undertakings;
 - (g) a Fixed and Floating Demand Debenture Charge in the amount of \$2,800,000.00 granted by the ON-Energy Corp (now by amalgamation being Clearbeach Resources Inc.) and registered in the Land Registry Office for Norfolk as instrument NK 109419;
3. The total amount of indebtedness secured by the security is \$8,951,401.79 as of July 10, 2020, together with additional costs of PACE (including, without limitation, PACE's legal and other professional fees), and with additional interest, details of which are as follows:

Loan Number: 37877	Indebtedness
Principal Balance	\$3,819,260.30
Interest calculated to July 10, 2020	\$77,873.53
Late Interest	\$1,566.53
Interest Rate @ P+0%	
Per Diem @ \$732.46	
Sub-total	\$3,898,700.36
Loan Number: 46728	
Principal Balance	\$1,753,470.00
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Interest Rate @ P+5.0%	
Per Diem @ \$360.30	

Sub-total	\$1,827,513.02
Loan Number: 46486	
Principal Balance	\$2,500,000.00
Interest calculated to July 10, 2020	\$101,134.47
Late Interest	\$1,743.12
Sundry Balance	\$648.16
Interest Rate @ P+0.5%	
Per Diem @ \$513.70	
Sub-total	\$2,603,525.75

Loan Number: 42216	
Principal Balance	\$549,150.78
Interest calculated to July 10, 2020	\$56,614.58
Late Interest	\$15,897.30
Interest Rate @ P+0.5%	
Per Diem @ \$112.84	
Sub-total	\$621,662.66
Total of all loans	\$8,951,401.79

4. PACE will not have the right to enforce the Security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

DATED at Toronto this 13th day of July, 2020.

PACE Savings & Credit Union Limited
by its lawyers, **Aird & Berlis LLP**

Per: *D. Robb English*

D. Robb English

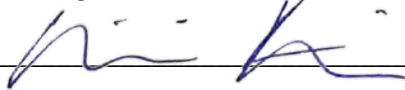
Brookfield Place, Suite 1800
181 Bay Street, Box 754
Toronto, ON M5J 2T9
Tel: 416-863-1500
Fax: 416-863-1515

Note: This Notice is given for precautionary purposes only and there is no acknowledgement that any person to whom this Notice is delivered is insolvent, or that the provisions of the *Bankruptcy and Insolvency Act* apply to the enforcement of this security.

TAB F

THIS IS EXHIBIT "F" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits



PACE CREDIT UNION Well beyond a bank.

VARIABLE RATE BUSINESS LOAN AGREEMENT

AGREEMENT MADE THIS 13 DAY OF April, 2018

BETWEEN: FORBES RESOURCES CORP.
(hereinafter called the "Member")

AND: JARVIS HOLDINGS INC.
(hereinafter collectively and individually called the "Guarantor")

AND: JANE E. LOWRIE
(hereinafter collectively and individually called the "Guarantor")

AND: PACE SAVINGS & CREDIT UNION LIMITED
(hereinafter called the "Credit Union")

WHEREAS the Member has applied to the Credit Union for a loan;

AND WHEREAS the Credit Union has agreed to extend credit to the Member on the terms and conditions set out in term sheet dated April 10, 2018 (the "Term Sheet") for the purposes set out in the Term Sheet, subject to the following terms and conditions;

NOW THEREFORE in consideration of the premises and the covenants, agreements, representations and warranties hereinafter set forth, the parties hereto agree as follows:

1. *Loan.* Upon execution of this Agreement the Credit Union establishes in favour of the Member a non-revolving term facility (the "**Loan**") in the amount of Five Hundred Thousand Dollars (**\$500,000.00**). The Loan is a non-revolving facility and, accordingly no amounts repaid under the Loan may be reborrowed under the Loan and the limit of the Loan will be automatically and permanently reduced by the amount of any repayment made thereunder.
2. *Term.* The Loan (together with all accrued interest and all other amounts payable hereunder) shall be repaid in full on demand. If demand has not previously been made by the Credit Union, the outstanding amount under the Loan (together with all accrued interest and other amounts payable hereunder) shall be repaid in full upon the earlier of:
 - (a) June 30, 2018 (the "**Maturity Date**"); or
 - (b) the occurrence of an Event of Default.
3. *Interest.* Interest on the principal amount of the Loan and outstanding from time to time shall be calculated and accrue at a variable rate referred to in this Agreement as the "Variable Business Loan Rate". The Variable Business Loan Rate is equal to the PACE Base Rate as adjusted from time to time by the Credit Union, **PLUS 0.500%**. At the date of this Agreement the Variable Loan Rate is **6.750%** per annum compounding monthly and the Variable Business Loan Rate, as determined above, is therefore **7.25%** per annum compounding monthly. Interest shall be calculated daily on the daily closing principal balance owing hereunder in respect of the Loan, not in advance, and shall be payable both before and after default and/or judgment as well after as before maturity. Upon any change in the PACE Base Rate the new Variable Business Loan Rate, as calculated above, shall immediately become effective and apply to this loan. The Member or Guarantor is liable to repay the loan together with interest at the changed rate. The Credit Union shall notify the Member, and Guarantor (if any), of any change in the Variable Business Loan Rate as soon as possible, but the accidental omission to give notice of any such change shall not excuse the Member or Guarantor from liability to repay the loan together with interest at the changed rate. In the event of default, the Member agrees to pay all legal fees and expenses (on a solicitor and client basis) incurred by the Credit Union in collecting the said loan and interest. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
4. *Repayment.* Without limiting the right of the Credit Union to at any time demand repayment thereof and subject to and in addition to the requirement for repayment in full pursuant to Sections 2 and 11 of this Agreement, the Member agrees to pay interest on the outstanding principal balance on the **9th day of each month** until the full amount outstanding hereunder on account of the Loan has been paid. The first monthly payment shall be payable **on the 9th of the month** immediately following the date the advance was made by the Credit Union to the Member.
5. *Application of Payments.* All payments made by the Member on account of the Loan shall be applied firstly on account of interest at the rate then in effect and secondly in reduction of the principal sum outstanding.

6. *Recordation.* The Credit Union shall open and maintain books of account evidencing all advances and all other amounts owing by the Member to the Credit Union under the Loan. The Credit Union shall enter in those books details of all amounts from time to time owing, paid or repaid by the Member, and this information shall constitute prima facie evidence of the obligations of the Member to the Credit Union under this Agreement with respect to all advances and all other amounts owing by the Member to the Credit Union under this Agreement. The failure of the Credit Union to correctly record any such amount or date shall not in any way affect the obligations of the Member to pay all amounts due to the Credit Union under this Agreement, pursuant to, and in accordance with this Agreement. After a request by the Member, the Credit Union shall promptly advise the Member of any entries made in the Credit Union's books of account. Acceptance by the Member, without dispute, of the periodic statements pertaining to this Loan acknowledges the liability of the Member for advances made during the period covered by such statement.
7. *Security.* The Loan shall be evidenced or secured by the security as provided and set out in the Term Sheet and as the Credit Union may request from time to time (the "Security") which shall be provided contemporaneously with the execution of this Agreement, and shall be in form and substance satisfactory to the Credit Union and shall be supported by all necessary resolutions and opinions (each in form and substance satisfactory to the Credit Union and the Credit Union's counsel). Furthermore, the Member and Guarantor (if any) acknowledge that the Credit Union has at all times a lien against shares in the Credit Union owned by the Member or Guarantor and against such monies on deposit by the Member or Guarantor with the Credit Union. If the Member is in default under this Agreement, the Credit Union may apply such shares and deposits to repayment of any balance outstanding and the Credit Union shall retain the right to recover from the Member or Guarantor any deficiency should the balance outstanding exceed the value of such shares and deposits.
8. *Warranties and Representations.* The Member and corporate Guarantor (if any) makes the following representations and warranties to Credit Union, which representations and warranties are deemed to be repeated as at the time of each advance hereunder:
 - (a) It is a corporation duly organized, validly existing and duly registered or qualified to carry on business in the Province of Ontario, and has all requisite corporate power and authority to own, lease and operate its property and to conduct its business as such is presently conducted and as proposed to be conducted.
 - (b) The execution, delivery and performance by it of this Agreement and any other documents to which it is a party have been duly executed and delivered by them and constitutes a legal, valid and binding obligation of each of them enforceable against each of them in accordance with its respective terms and have been duly authorized by all necessary actions of its directors and shareholders, and do not violate its constating documents or any applicable laws or agreements to which it subject or by which it is bound.
 - (c) Its most recent financial statements provided to Credit Union accurately 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 no material adverse change has occurred affecting its business or financial condition.
 - (d) There is no claim, action, prosecution or other proceeding of any kind pending or threatened against it or any of its assets or properties before any court or administrative agency which relates to any non-compliance with any environmental law or any release from its lands of a contaminant into the natural environment or which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any of Credit Union's security, and there are no circumstances of which it is aware which might give rise to any such proceeding which it has not fully disclosed to Credit Union.
 - (e) It has good and marketable title to all of its properties and assets, free and clear of any mortgages, liens, claims, loans or encumbrances, other than those created hereunder or as otherwise disclosed to and approved by the Credit Union.
 - (f) It is in compliance in all material respects with all applicable laws including, without limitation, all environmental laws.
 - (g) It possesses all licenses, patents, trade-marks, service marks and copyrights, free from material restrictions, that are necessary for the ownership, maintenance and operation of its assets and businesses and it is not in violation of any rights of third parties with respect to any of the foregoing.
 - (h) No event has occurred which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any security agreement given in connection herewith.
 - (i) It has filed all material tax returns required to be filed by it, paid or made provision for payment of all taxes and claims ranking in priority to Credit Union's security (including interest and penalties) which are due and payable, and provided adequate reserves for payment of any tax, the payment of which is being contested.
 - (j) All information furnished by or on behalf of it in writing to the Credit Union in connection with the transaction contemplated hereby, is true and correct and does not omit any fact necessary in order to make such information not misleading.

9. *Conditions Precedent.* The availability and advance of the Loan hereunder is conditional upon the receipt of:
- (a) a duly executed copy of this Agreement;
 - (b) the Security shall have been duly executed and delivered and, where required, registered;
 - (c) such financial, corporate and other records or documents relating to Member and Guarantor, if any, as required by the Term Sheet and as the Credit Union may reasonably require have been delivered and approved by the Credit Union.
10. *Guarantor Provision.* In consideration of the Credit Union extending the Loan to the Member, and in addition to any guarantee and security agreement given by the Guarantor to the Credit Union, the Guarantor (and each of them jointly and severally, if more than one Guarantor) does hereby guarantee to the Credit Union repayment of the Loan including interest and costs as provided in this Agreement, as and when demanded by the Credit Union. In default of payment by the Member the Guarantor agrees that the balance then due shall be recoverable against the Guarantor. This guarantee shall be binding notwithstanding any extension of time for repayment or variation in the terms of payment which may be agreed upon between the Member and the Credit Union, and it shall not be necessary for the Credit Union to exhaust its recourse against the Member before being entitled to payment from the Guarantor.
11. *Event of Default.* Without limiting any other rights of the Credit Union under this Agreement, the Term Sheet, the Security and any other written agreement delivered in connection with the transaction hereof, if any one or more of the following events (herein an "Event of Default") has occurred and is continuing:
- (a) the failure by the Member or Guarantor, if any, to pay when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Credit Union;
 - (b) the failure of the Member or Guarantor, if any, to observe or perform any covenant or obligation applicable to it under this Agreement, if the Member or Guarantor, if any, fails to remedy such default within the earlier of ten (10) days from the date:
 - (i) it becomes aware of the default; and
 - (ii) the Credit Union delivers written notice of the such default to the Member or Guarantor.
 - (c) any default occurs under any other credit, loan or security agreement to which the Member or Guarantor, if any, is a party and such breach continues for ten (10) days after such Member or Guarantor shall have received written notice of same;
 - (d) a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against the Member or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or the Member shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;
 - (e) a receiver is appointed over any property of the Member or any judgment or order or process of any court becomes enforceable against the Member or any property of the Member or any creditor takes possession of any property of the Member;
 - (f) any Security is or becomes illegal, invalid, prohibited or unenforceable and/or ceases to rank in the priority contemplated in the Term Sheet against the property charged thereunder;
 - (g) any representation or warranty made by the Member or Guarantor, if any, herein or in any Security or in any certificate or other document delivered to the Credit Union in connection herewith is false or misleading in any material respect; or
 - (h) in the opinion of the Credit Union, any adverse change has occurred in the financial condition or business of the Member or the Guarantor, if any, which may impair its ability or willingness to perform any of its obligations to the Credit Union or the Credit Union considers the security held to secure the Loan to be in jeopardy or the Credit Union considers itself insecure;

then, in such event, the Credit Union may, by written notice to the Member, declare the amount then outstanding under the Loan to be immediately due and payable. Upon receipt of such written notice, the Member shall immediately pay to the Credit Union all outstanding amounts under the Loan and all other obligations of the Member to the Credit Union in connection therewith. Upon a declaration that the Loan outstanding hereunder is immediately due and payable pursuant to this Section 11, the Credit Union may commence such legal action or proceedings as the Credit Union in its sole discretion deems expedient, including the commencement of enforcement proceedings under this Agreement, the Term Sheet, the Security and all other documents to be executed and delivered to the Credit Union by the Member or Guarantor, all without any additional notice,

presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Member and Guarantor. The rights and remedies of the Credit Union under the this Agreement, the Term Sheet and the Security are cumulative and are in addition to, and not in substitution for, any other rights or remedies.

12. *Expenses.* The Member agrees to pay all fees (including legal fees on a solicitor and client basis), costs and expenses incurred by the Credit Union in connection with the preparation, negotiation and documentation of this Agreement and the Security, and the operation or enforcement of this Agreement and the Security. In addition to any amounts otherwise payable hereunder, the Member agrees to pay the Credit Union its customary administration fee as published by the Credit Union from time to time, including without limitation an administrative fee for each cheque received by the Credit Union from the Member which is subsequently dishonoured.
13. *Review.* Credit Union may conduct periodic reviews of the affairs of Member, as and when determined by Credit Union, for the purpose of evaluating the financial condition of Member. Member shall make available to Credit Union such financial statements and other information and documentation as Credit Union may reasonably require and shall do all things reasonably necessary to facilitate such review. The Member also agrees to promptly notify the Credit Union of any change of circumstances which renders inaccurate any of the information given to the Credit Union in applying for this Loan.
14. *Survival of Representations and Warranties.* The representations and warranties contained herein or made pursuant to this Agreement, the Term Sheet and all Security shall survive until the termination of this Agreement.
15. *Entire Agreement.* This Agreement and all attachments hereto, the Term Sheet, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the entire agreement among the parties with respect to the Loan herein and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the transaction herein.
16. *Counterparts.* This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement and shall become effective when all counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.
17. *Joint and Several.* Where more than one Person is liable as Member or Guarantor, if any, for any obligation under this Agreement, the liability of each such Person for such obligation is joint and several with each other such Person. Where this agreement is signed by more than one party as Member, advances may be made to or at the request of any one or more of them, and their liability shall be joint and several. Periodic statements or other notices may be sent to any one Member on behalf of all. Any reference in this Agreement to "Member" shall be construed as if to read "Member or any one or more of them".
18. *Limitation Act 2002 (Ontario).* The parties acknowledge that this agreement is made for business purposes and is a "business agreement" as defined in the Limitations Act, 2002 (the "Act") and that no limitation periods found in the Act, other than the ultimate limitation period found in Section 15 of the Act, shall apply to the obligations imposed by this agreement.
19. *Non-Merger.* The provisions of this Agreement shall not merge with the Term Sheet and any other Security provided to Credit Union, but shall continue in full force for the benefit of the parties hereto.
20. *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given upon personal delivery, facsimile transmission (with written or facsimile confirmation of receipt), telex or delivery by a reputable overnight commercial delivery service (delivery, postage or freight charges prepaid), or on the fourth day following deposit in the mail (if sent by registered or certified mail, return receipt requested, delivery, postage or freight charges prepaid), addressed to the Member and/or Guarantor at the addresses appearing in the Credit Union's records and files, and if to the Credit Union to the address noted herein.
21. *Amendments.* This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.
22. *Waivers.* No failure or delay on the part of the Credit Union in exercising any right or power hereunder or under any security document shall operate as a waiver thereof. Guarantor agrees that the amendment or waiver of any provision of this Agreement (other than agreements, covenants or representations expressly made by Guarantor herein, if any) may be made without and does not require the consent or agreement of, or notice to, Guarantor.
23. *Governing Law.* This Agreement and the rights and obligations of the parties hereunder shall be governed in all respects by the laws of the Province of Ontario and the laws of Canada applicable therein.
24. *Assignment.* Member shall not assign or transfer or permit the assignment or transfer of any of its rights or obligations under this Agreement without the prior written consent of Credit Union. Credit Union may assign all or part of its rights and obligations under this Agreement to any person. Credit Union may disclose to potential or actual assignees confidential information regarding Member (including any such information provided by Member to Credit Union) and shall not be liable for any such disclosure).
25. *Severability.* Any portion or provision of the Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or

unenforceability, without affecting in any way the remaining portions or provisions hereof in such jurisdiction or, to the extent permitted by law, rendering that or any other portion or provision of the Agreement invalid, illegal or unenforceable in any other jurisdiction.

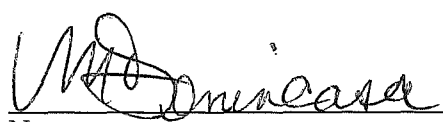
26. *Binding Effect.* This Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.

27. *Time of Essence.* Time shall be of the essence in all provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

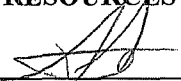
PACE SAVINGS & CREDIT UNION LIMITED

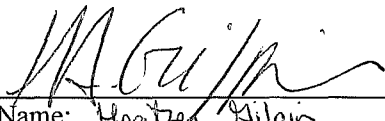
Per: 
Name: SUZANNE HYDE
Title: MANAGER COMMERCIAL ADMINISTRATION

Per: 
Name: MARY BENINCASA
Title: CHIEF OPERATING OFFICER

We have the authority to bind the corporation

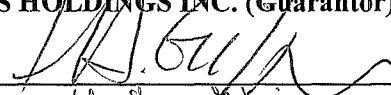
FORBES RESOURCES CORP.


Per: 
Name: Scott Lewis
Title: President

Per: 
Name: Heather Gilpin
Title: Secretary


I/we have the authority to bind the corporation

JARVIS HOLDINGS INC. (Guarantor)

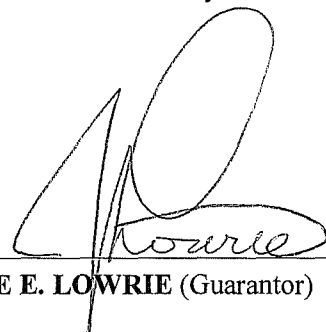
Per: 
Name: Heather Gilpin
Title: President

Per: 
Name: Scott Lewis
Title: Vice-President

I/we have the authority to bind the corporation



Witness

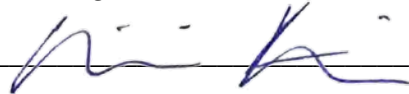


JANE E. LOWRIE (Guarantor)

TAB G

THIS IS EXHIBIT "G" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely

A handwritten signature in blue ink, appearing to read 'W. A. Bortolin', is written over a horizontal line.

William A. Bortolin

Commissioner for Taking Affidavits

July 13, 2020

DELIVERED BY COURIER**PRIVATE & CONFIDENTIAL
TO BE OPENED BY ADDRESSEE ONLY****Forbes Resources Corp.**
2807 Woodhull Road
London, ON N6K 4S4**Attention: Scott Lewis**

Dear Mr. Lewis:

RE: PACE Savings & Credit Union Limited ("PACE") loans to Forbes Resources Corp. (the "Debtor"), as guaranteed by Jarvis Holdings Inc. ("Jarvis" and Jane Lowrie ("Jane" and together with the Debtor and Jarvis, the "Credit Parties"))

We are the lawyers for PACE in connection with its lending arrangements with the Debtor.

The Debtor is indebted to PACE with respect to certain credit facilities (the "**Credit Facilities**") made available by PACE to the Debtor pursuant to and under the terms of the following (collectively, and as each may have been amended, replaced, restated or supplemented from time to time, the "**Credit Agreement**"):

- a) a Loan Agreement in the amount of \$500,000.00 made among PACE and the Credit Parties dated April 13, 2018.

The following amounts are owing for principal, interest and fees pursuant to the Credit Facilities, plus costs and expenses, pursuant to the Credit Agreement as of July 10, 2020:

Loan Number: 47169	Indebtedness
Principal	\$500,032.69
Interest calculated as at July 10, 2020	\$2,774.15
Sundry Balance	\$345.00
Interest Rate P+0.50%:	
Per Diem Rate @ \$102.75	
Total	\$503,151.84

Certain Events of Default have occurred under the Credit Agreement. Accordingly, on behalf of PACE, we hereby make formal demand for payment of \$503,151.84, together with accruing interest and any and all costs and expenses (including, without limitation, any additional legal and other professional fees) incurred by PACE (collectively, the "**Indebtedness**"). Payment is required to be made immediately.

Interest continues to accrue on the Indebtedness at the rates established by the Credit Agreement and any other agreement, as applicable.

The Indebtedness and other obligations of the Debtor under the Credit Agreement are secured by, *inter alia*, a general security agreement granted by the Debtor dated April 13, 2018, which grants PACE, amongst other things, a security interest in any of and all of the Debtor's property, assets and undertakings; and

If payment of the Indebtedness is not received forthwith, PACE shall take whatever steps it considers necessary or appropriate to collect and recover the amounts owing to it, including, without limitation, steps to appoint an interim receiver, receiver or receiver and/or manager of the Debtor, in which case PACE will also be seeking all costs incurred in so doing.

On behalf of PACE, we also enclose a Notice of Intention to Enforce Security delivered pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA Notice**").

PACE hereby reserves its rights to initiate proceedings within the ten (10) day period set out in the BIA Notice, if circumstances warrant such proceedings.

Please govern yourself accordingly.

Yours truly,

AIRD & BERLIS LLP

D. Robb English

D. Robb English

DRE/ph
Encl.

cc: Client

NOTICE OF INTENTION TO ENFORCE SECURITY
(Bankruptcy and Insolvency Act, Subsection 244(1))

Delivered By Courier

TO: **Forbes Resources Corp.**
 2807 Woodhull Road
 London, ON N6K 4S4

insolvent company / person

TAKE NOTICE that:

1. PACE Savings & Credit Union Limited (“**PACE**”), a secured creditor, intends to enforce its security on the property, assets and undertakings of Forbes Resources Corp. (the “**Debtor**”), including, without limiting the generality of the foregoing, all the equipment, accounts, proceeds, books and records, inventory, leaseholds and all other personal property interests of the Debtor.
2. The security that is to be enforced is in the form of, *inter alia*:
 - (a) a general security agreement between the Debtor and PACE dated April 13, 2018, which grants PACE, amongst other things, a security interest in any of and all of the Debtor’s property, assets and undertakings.
3. As at July 10, 2020, the total amount of the indebtedness secured by the Security is the sum of \$503,151.84 in principal and interest, plus accruing interest and recovery costs of PACE (including, without limitation, PACE’s legal and other professional fees).
4. PACE will not have the right to enforce the Security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

DATED at Toronto this 13th day of July, 2020.

PACE Savings & Credit Union Limited
 by its lawyers, **Aird & Berlis LLP**

Per:

D. Robb English

 D. Robb English


Brookfield Place, Suite 1800
 181 Bay Street, Box 754
 Toronto, ON M5J 2T9
 Tel: 416-863-1500
 Fax: 416-863-1515

Note: This Notice is given for precautionary purposes only and there is no acknowledgement that any person to whom this Notice is delivered is insolvent, or that the provisions of the Bankruptcy and Insolvency Act apply to the enforcement of this security.

TAB H

THIS IS EXHIBIT "H" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 05 - London
Court No. 35-2659751
Estate No. 35-2659751

In the Matter of the Notice of Intention to make a
proposal of:

Clearbeach Resources Inc.

Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEIL INC.**

Licensed Insolvency Trustee

Date of the Notice of Intention: July 22, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 22, 2020, 16:18

E-File/Dépôt Electronique

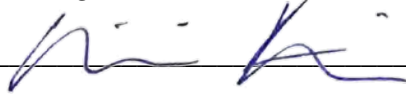
Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada

TAB I

THIS IS EXHIBIT "I" TO
THE AFFIDAVIT OF JANE LOWRIE
SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 05 - London
Court No. 35-2660091
Estate No. 35-2660091

In the Matter of the Notice of Intention to make a
proposal of:

Forbes Resources Corp.
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEIL INC.**
Licensed Insolvency Trustee

Date of the Notice of Intention: July 23, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 23, 2020, 16:37

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada

TAB J

THIS IS EXHIBIT "J" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits



D. Robb English
Direct: 416.865.4748
E-mail: renglish@airdberlis.com

August 6, 2020

VIA EMAIL

Paul van Eyk pvaneyk@richter.ca
Richter Canada
Bay Wellington Tower,
3510 - 181 Bay St
Toronto, ON M5J 2T3

Roger Jaipargas rjaipargas@blg.com
Borden Ladner Gervais
Bay Adelaide Centre
3400 - 22 Adelaide Street West
Toronto, ON M5H 4E3

Richard B. Swan swanr@bennettjones.com
Bennet Jones
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Dear Sirs:

Re: Proposal of Clearbeach Resources Inc. ("Clearbeach") and of Forbes Corp. ("Forbes") and Pace Savings and Credit United Limited ("Pace")

We confirm your advice that the debtors having filed a Notice of Intention to make a proposal, plan to run a sales process for their businesses and plan to seek DIP financing for that process and for the companies through their proposals.

We have reviewed the cash flows as provided with our client and we have discussed the matter with them. As you know, Pace is the largest creditor and is the first secured creditor of these debtors.

We wish to advise you that Pace does not support a sales process under a Debtor in Possession proceeding. Pace has lost confidence in management and does not believe that management should be in charge of any sales process. There is no reason for any proposal process to continue when a sale can be undertaken by a Receiver just as easily. Accordingly, we wish to advise you that Pace will move to terminate the proposal proceedings and to appoint a Receiver.

August 6, 2020

Page 2

As a courtesy, we wish you to be aware that Pace will object to any charge for the benefit professionals acting on behalf of the debtors in the proposal process, and as a consequence you may wish to consider the extent of your existing financial retainer.

We ask that we be given as much advance notice as possible with respect to any Court date for the extension of the proposal, or for other relief claimed by the debtors. We would propose to move to terminate the proposals, it would make sense that these matters be heard at the same time. We are asking the court for its availability and will advise you of the response.

We also wish to alert you that the second secured creditor, Crich Holdings, is represented by counsel, being Mr. Angelo D'Ascanio of Advocates LLP and his email address is a.d'ascanio@advocatesllp.com. We would expect that Mr. D'Ascanio would also require notice of any proceedings.

Thank you for your attention in this regard.

Yours very truly,

AIRD & BERLIS LLP

D. Robb English

D. Robb English
/DRE

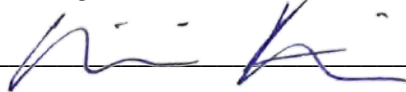
cc Jeremy Nemers
jnemers@airdberlis.com

41042431.1

TAB K

THIS IS EXHIBIT "K" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CLEARBEACH RESOURCES INC.**

CLEARBEACH RESOURCES INC.

Applicant

THE HONOURABLE MADAM

)

THURSDAY, THE 20TH

)

JUSTICE DIETRICH

)

DAY OF AUGUST, 2020

ORDER

THIS MOTION, made by Clearbeach Resources Inc. ("**Clearbeach**"), for an order transferring this proceeding to the Commercial List and granting a stay of this proceeding, was heard this day at 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7 and by videoconference.

ON READING the notice of motion, on hearing the submissions of the lawyers for Clearbeach, the proposal trustee Richter Advisory Group Inc., and PACE Savings & Credit Union Limited ("**PACE**") and being advised that they each consent to the order sought,

1. THIS COURT ORDERS that this proposal proceeding, having court file number 35-2659751 and estate file number 35-2659751, be transferred from the Ontario Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and

2. THIS COURT ORDERS that this proposal proceeding be stayed pending further order of the Court following the return of the motion for a receivership order brought by PACE.

Dietrich J.

IN THE MATTER OF THE NOTICE INTENTION TO MAKE A PROPOSAL OF CLEARBEACH RESOURCES INC.

Applicants

Court File No. 35-2659751
Estate File No. 35-2659751

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**PROCEEDING COMMENCED AT
LONDON**

ORDER

BENNETT JONES LLP
Barristers
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Richard B. Swan (#32076A)
Telephone: 416.777.7479
Email: swanr@bennettjones.com

William A. Bortolin (#65426V)
Telephone: 416.777.6126
Email: bortolinw@bennettjones.com

Facsimile: (416) 863-1716

Lawyers for Clearbeach Resources Inc.

From: "Farrugia, Tiffany (MAG)" <Tiffany.Farrugia@ontario.ca>

Date: August 21, 2020 at 9:54:58 AM EDT

To: Richard Swan <SwanR@bennettjones.com>, "swanr@bennettjones.com" <swanr@bennettjones.com>, "rjaipargas@blg.com" <rjaipargas@blg.com>, "renglish@airdberlis.com" <renglish@airdberlis.com>, Raj Sahni <SahniR@bennettjones.com>

Cc: "Anissimova, Alsou (MAG)" <Alsou.Anissimova@ontario.ca>, "Zeldin, Adam" <AZeldin@Richter.ca>

Subject: DIETRICH, J ORDERS CLEARBEACH AND FORBES HEARD AUG 20/2020 AT 1130AM relating to the PACE file court #CV-20-644116-00CL

Attention! Courriel externe | External Email

Good Morning,

Attached are the orders regarding the **Clearbeach and Forbes** matters heard at 11:30AM on August 20, 2020. Moreover, below is the endorsement as well as the attached counsel slip. See for details:

Endorsement

Before the court are two motions in which virtually identical relief is sought. The moving parties are Forbes Resources Corp. ("Forbes") and Clearbeach Resources Inc. ("Clearbeach"), respectively. Each seeks an order: i) to transfer a bankruptcy proceeding commenced in the Superior Court of Justice in London, Ontario to the Commercial List in Toronto; and ii) to stay the bankruptcy proceeding, briefly, pending the return of a motion for a receivership order.

Each of Forbes and Clearbeach is in the oil and gas business and their respective businesses are facing financial difficulty. On July 16, 2020, their lender, PACE Savings & Credit Union ("PACE"), commenced an application on the Commercial List in Toronto, in respect of each of them, seeking the appointment of a receiver. On July 22, 2020, each of Forbes and Clearbeach filed a notice of intention ("NOI") to make a proposal per section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "BIA"). The NOI's were filed in the Superior Court of Justice in London, Ontario. On August 7, 2020, PACE gave notice of a motion in the proceeding commenced in London, Ontario to appoint a receiver of the assets of Forbes and Clearbeach and to terminate the NOI proceedings for both Forbes and Clearbeach.

A consolidation of these proceedings on the Commercial List in Toronto makes sense. The receivership application was brought on the Commercial List. Counsel to the parties are resident in Toronto and PACE has a branch office in Toronto. The transfer is in the interests of justice and judicial economy.

A brief stay of the proposal proceedings (estimated to be 7 – 14 days) is reasonable. It will permit the parties to further discuss an appropriate process going forward. During this time, the status quo will be maintained and the stay does not prevent PACE from advancing its receivership application at any time. See *Dondeb Inc.*, 2012 ONSC 6087, at paras. 23 and 24, where notices of intention to make a proposal were stayed and suspended pending further of the court where a Global Receivership Order was issued.

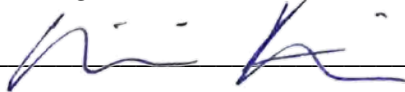
Each of PACE, Forbes, Clearbeach and the proposal trustee consents to the relief sought.

Orders to go the form of the drafts signed by me today. The Orders are effective as of today's date and it is not necessary that the Orders be entered.

TAB L

THIS IS EXHIBIT "L" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

PACE SAVINGS & CREDIT UNION LIMITED

Applicant

and

**CLEARBEACH RESOURCES INC., FORBES RESOURCES CORP.
and EASTERN OIL FIELD SERVICES LTD.**

Respondents

**APPLICATION UNDER SUBSECTION 47(1) AND 243(1) OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE *COURTS
OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

NOTICE OF ABANDONMENT

The Applicant abandons this application.

Date: September 23, 2020

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, Ontario
M5J 2T9

D. Robb English (LSO #19862F)
Tel: (416) 865-4748
Fax: (416) 863-1515
Email: renglish@airdberlis.com

Miranda Spence (LSO #60621M)
Tel: (416) 865-3414
Fax: (416) 863-1515
Email: mspence@airdberlis.com

Lawyers for the Applicant

TO: **BORDEN LADNER GERVAIS LLP**
Bay Adelaide Centre
3400 - 22 Adelaide Street West
Toronto, ON M5H 4E3

Roger Jaipargas
Tel: 416.367.6266
Email: rjaipargas@blg.com

Lawyers for Proposal Trustee

AND TO: **RICHTER ADVISORY GROUP INC.**
Bay Wellington Tower,
3510 - 181 Bay St
Toronto, ON M5J 2T

Paul van Eyk
Tel: 416.485.4592
Email: pvaneyk@richter.ca

Adam Zeldin
Tel: 416.646.7390
Email: AZeldin@Richter.ca

Proposal Trustee

AND TO: **BENNETT JONES LLP**
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Richard B. Swan
Tel: 416.777.7479
Email: swanr@bennettjones.com

Raj S. Sahni
Tel: (416) 777-4804
Email: sahnir@bennettjones.com

Lawyers for Clearbeach Resources Inc. and Forbes Resources Corp.

AND TO: **BDO CANADA LIMITED**
20 Wellington St. E.,
Suite 500
Toronto, ON M5E 1C5

Josie Parisi
Tel: (416) 369-6031
Fax: (416) 865-0904
Email: jparisi@bdo.ca

Brad Newton
Tel: (416) 775-7829
Fax: (416) 865-0904
Email: bnewton@bdo.ca

Proposed Receiver

AND TO: **ATTORNEY GENERAL OF CANADA**
Department of Justice Canada
Ontario Regional Office, Tax Law Section
120 Adelaide Street West, Suite 400
Toronto, ON M5H 1P9

Diane Winters
Tel: (647) 256-7459
Email: diane.winters@justice.gc.ca

AND TO: **MINISTRY OF FINANCE (ONTARIO)**
Legal Services Branch
777 Bay Street, 11th Floor
Toronto, ON M5G 2C8

Kevin O'Hara
Tel: (416) 327-8463
Email: kevin.ohara@ontario.ca

AND TO: **DENTONS CANADA LLP**
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Elaine Gray (LSO # 26915K)
Tel: (416) 863-4775
Fax: (416) 863-4592
Email: elaine.gray@dentons.com

Lawyers for Daimler Truck Financial, a business unit of Mercedes-Benz Financial Services Canada Corporation

AND TO: **SCOTT PETRIE LLP**
200 -252 Pall Mall Street
London, ON N6A 5P6

Glenn Hines
Tel: (519) 433-5310 ext. 222
Fax: (519) 433-7909
Email: ghines@scottpetrie.com

Lawyer for NRG Corp.

AND TO: **ADVOCATES LLP**
16th Floor – One London Place
255 Queens Avenue
London, ON N6A 5R8

Angelo C. D'Ascanio (LSO # 31462R)
Tel: (519) 858-8220
Fax: (519) 858-0687
Email: a.dascanio@advocatesllp.com

Lawyers for Crich Holdings and Buildings Limited

AND TO: **OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA**
Federal Building-London
451 Talbot Street, Suite 303
London, ON N6A 5C9
Tel: 877.376.9902

AND TO: **MINISTRY OF NATURAL RESOURCES AND FORESTRY**
Whitney Block
3420-99 Wellesley Street West
Toronto, ON M7A 1W3
Tel: 416.314.2002

Karen Inselsbacher (LSO # 37141O)
Tel: (416) 254-7254
Email: Karen.inselsbacher@ontario.ca

Demetrius Kappos (LSO # 42866C)
Tel: (416) 314-2007
Email: demetrius.kappos@ontario.ca

AND TO: **MINISTRY OF THE ATTORNEY GENERAL CROWN LAW OFFICE**
McMurty-Scott Building
720 Bay Street
Toronto, ON M7A 2S9
Tel: 416.326.4008

Ananthan Sinnadurai (LSO # 60614G)
Tel: (416) 910-8789
Email: ananthan.sinnadurai@ontario.ca

PACE SAVINGS & CREDIT UNION LIMITED

Applicant

and

**CLEARBEACH RESOURCES INC., FORBES RESOURCES
CORP. and EASTERN OIL FIELD SERVICES LTD.**

Respondents

Court File No. CV-20-00644116-00CL

<p>ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST</p>	
<p>NOTICE OF ABANDONMENT</p>	
	<p>AIRD & BERLIS LLP Barristers and Solicitors Brookfield Place Suite 1800, Box 754 181 Bay Street Toronto, ON M5J 2T9</p> <p>D. Robb English (LSO #19862F) Tel: (416) 865-4748 Fax: (416) 863-1515 Email: renglish@airdberlis.com</p> <p>Miranda Spence (LSO #60621M) Tel: (416) 865-3414 Fax: (416) 863-1515 Email: mspence@airdberlis.com</p> <p>Lawyers for the Applicant</p>

TAB M

THIS IS EXHIBIT "M" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits

Zeldin, Adam

From: Conway, Madam Justice Barbara (SCJ)
Sent: Thursday, October 1, 2020 2:53 PM
To: Raj Sahni; Roger Jaipargas; Robb English; Sinnadurai, Ananthan (MAG); Zeldin, Adam
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL
Attachments: Counsel Slip - Oct 1 2020 (004).DOCX

Importance: High

Attention! Courriel externe | External Email

Case conference held today by Zoom. Counsel slip attached.

On consent, the case conference is adjourned to **October 15, 2020 (30 minutes, starting at 9:30, confirmed by the CL office)**. It will be before Justice Gilmore, who is familiar with this matter. The parties are continuing their discussions and working on a path forward. On consent, the stay of the NOI proceedings will remain in effect until October 15, 2020 at 5:00 p.m., unless extended by the conference judge.



Superior Court of Justice (Toronto)

From: Raj Sahni
Sent: October 1, 2020 2:16 PM
To: Conway, Madam Justice Barbara (SCJ)
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List; Roger Jaipargas; Robb English; Sinnadurai, Ananthan (MAG) ; Zeldin, Adam
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL

Your Honour:

Attached please find the counsel slip for today's case conference before you.

Thank you



Raj Sahni
Partner*, Bennett Jones LLP
*Denotes Professional Corporation

Zeldin, Adam

From: Gilmore, Madam Justice Cory (SCJ) [REDACTED]
Sent: Thursday, October 15, 2020 9:58 AM
To: Raj Sahni; 'Robb English'; Zeldin, Adam; 'RJaipargas@blg.com'; Kar, Shahana (MAG); 'bonnell.andrew@ontario.ca'
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL

Attention! Courriel externe | External Email

Counsel: See my endorsement below.

Endorsement of Gilmore, J.

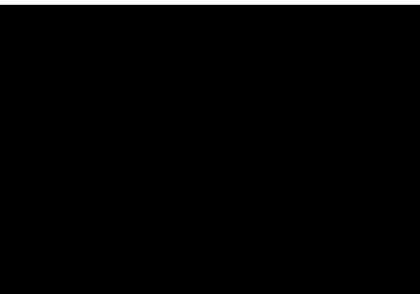
Counsel have agreed on a further two week adjournment to allow ongoing discussions with the Ministry of the Environment and permit Richter to deal with the transition into bankruptcy.

Therefore, I order as follows:

1. **A further Case Conference shall be scheduled by the Trial Coordinator for Thursday October 29, 2020 for 30 minutes. Any judge.**
2. The stay shall remain in effect through to the next Case Conference date at 5:00 p.m. unless extended by the Conference judge.

C. Gilmore, J.

October 15, 2020



Zeldin, Adam

From: Gilmore, Madam Justice Cory (SCJ) [REDACTED]
Sent: Thursday, October 15, 2020 1:39 PM
To: Raj Sahni; 'Robb English'; Zeldin, Adam; 'RJaipargas@blg.com'; Kar, Shahana (MAG)
Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Subject: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL

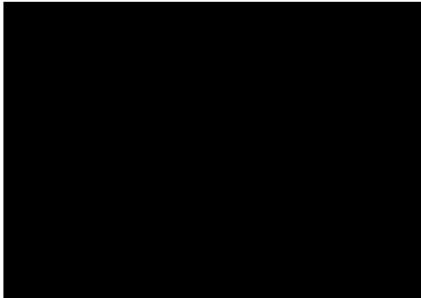
Attention! Courriel externe | External Email

Counsel:

Ms. Kar has pointed out that my endorsement sent out earlier today referenced the Ministry of the Environment. A correction is hereby made to the endorsement to refer to discussions with the Ministry of Natural Resources.

C. Gilmore, J.

October 15, 2020



Zeldin, Adam

From: Raj Sahni
Sent: Thursday, October 29, 2020 3:01 PM
To: Richard Swan; Robb English; van Eyk, Paul; Zeldin, Adam; Jaipargas, Roger; Ananthan (MAG; Angelo Dascanio
Subject: FW: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL
Attachments: Clearbeach Counsel Slip - Oct 29 2020.DOCX

Attention! Courriel externe | External Email

Please see the below endorsement from Justice Cavanagh from this morning's case conference.



Raj Sahni
Partner*, Bennett Jones LLP
*Denotes Professional Corporation

3400 One First Canadian Place, P.O. Box 130, Toronto, ON, M5X 1A4
T. 416 777 4804 | F. 416 863 1716 | M. 416 618 4804
E. sahnir@bennettjones.com
BennettJones.com

From: Cavanagh, Justice Peter (SCJ)
Sent: Thursday, October 29, 2020 2:47 PM
To: Raj Sahni
Cc: Anissimova, Alsou (MAG)
Subject: RE: Pace Savings v. Clearbeach et al. Court File No. CV-20-00644116-00CL

Mr. Sahni: See my endorsement below. Please circulate this to other counsel. This endorsement replaces and supersedes my endorsement sent a few minutes ago to clarify some language.

Endorsement:

Counsel slip is attached.

Counsel have agreed on a further adjournment to allow ongoing to deal with the transition into bankruptcy. Crich Holdings, a guarantor and preferred shareholder, does not oppose.

Therefore, I order as follows:

1. A further Case Conference shall held on Thursday November 19, 2020 at 2 p.m. for 30 minutes before Dietrich J.
2. The stay shall remain in effect through to November 19, 2020 at 5:00 p.m. unless extended by the Conference judge.

Zeldin, Adam

From: Conway, Madam Justice Barbara (SCJ)
Sent: Thursday, November 19, 2020 12:52 PM
To: Richard Swan; JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Cc: Danish Afroz; Robb English; van Eyk, Paul; Zeldin, Adam; Raj Sahni; Jaipargas, Roger; Sinnadurai, Ananthan (MAG); Angelo Dascanio
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL
Importance: High

Attention! Courriel externe | External Email

This matter proceeded before me today by Zoom. The names of the attendees are listed below.

All counsel have either consented to or do not oppose a further extension of the stay.

The stay shall remain in effect until **December 17, 2020 at 5:00 p.m., unless extended by this court.**

The next case conference to determine steps going forward is scheduled for **December 17, 2020 at 11 a.m. for 20 minutes (any judge, confirmed with the CL office).**



Superior Court of Justice (Toronto)

From: Richard Swan
Sent: November 19, 2020 12:30 PM
To: Conway, Madam Justice Barbara (SCJ) ; JUS-G-MAG-CSD-Toronto-SCJ Commercial List
Cc: Danish Afroz; Robb English; Paul van Eyk; Zeldin, Adam; Raj Sahni; Jaipargas, Roger; Sinnadurai, Ananthan (MAG); Angelo Dascanio
Subject: RE: Pace Savings v. Clearbeach et al. CV-20-00644116-00CL

Your Honour,

The following counsel attended on today's case conference:

Richard Swan, Danish Afroz for Clearbeach Resources Inc. and Forbes Resources Inc.

Robb English for Pace Savings & Credit Union Ltd.

Roger Jaipargas – for Richter Inc. as Proposal Trustee

Ananthan Sinnadurai and Andrew Bonnell (Student-at-law) for Ontario Ministry of Natural Resources and Forestry

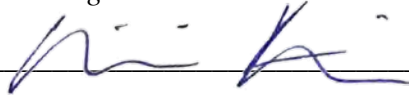
Also present: Adam Zeldin of Richter Inc.

Richard B. Swan

TAB N

THIS IS EXHIBIT "N" TO
THE AFFIDAVIT OF JANE LOWRIE

SWORN DECEMBER 10, 2020
IN ACCORDANCE WITH O. Reg. 431/20,
Administering Oath or Declaration Remotely



William A. Bortolin

Commissioner for Taking Affidavits

Ministry of
Natural Resources and Forestry

Ministère des
Richesses naturelles et des Forêts



Petroleum Operations Section
659 Exeter Rd.
London, ON N6E 1L3
Telephone: 519-873-4635
Fax: 519-873-4645

Section d'Opérations Pétrolière
659 rue Exeter
London, ON N6E 1L3
Téléphone : 519-873-4635
Télécopie 519-873-4645

October 14, 2020

Clearbeach Resources Inc.
2807 Woodhull Rd.
London, ON
Canada, N6K 4S4

Jane E. Lowrie
2807 Woodhull Rd.
London, ON
Canada, N6K 4S4

Dear Recipients,

Re: Order Issued to you under the Oil, Gas and Salt Resources Act

This is to advise that the wells and related works referenced in the attached Order and Inspector's Report licenced to Clearbeach Resources Ltd. (or companies with which it amalgamated) are not in compliance with s.19 of O. Reg 245/97 made under the Oil, Gas and Salt Resources Act ("OGSRA") and the Provincial Operating Standards v.2.0. and represent a hazard due to this inactivity.

As a result of the outstanding non-compliance with s. 19 of O. Reg 245/97, the severity of the hazards that were recently identified, the failure of Clearbeach Resources Ltd. and their representatives to participate in any daily monitoring and maintenance operations required by the Provincial Operating Standards V. 2.0 which was apparent during my inspections, I have hereby issued to each of you the attached Inspector's Order I41-20-12920-001. Therefore, the wells must be plugged to bring about compliance with the OGSRA, Ontario Regulation 245/97 and the Provincial Operating Standards V.2.0

This Order is intended to ensure that the identified inactive and hazardous wells are plugged within a reasonable timeframe and that the wells which pose a hazard to the public and to the environment are addressed as priorities.

Given the serious nature of this Order, I and other Ministry officials are prepared to meet with the persons named in the Order to discuss the terms and help you to finalize a plan that will best ensure you achieve compliance. Please contact me to arrange a meeting at your earliest convenience should you so choose.

Sincerely,

Sean Smith
Petroleum Inspector, Badge #41
Petroleum Operations Section

Ministry of
Natural Resources and Forestry

Petroleum Operations Section
659 Exeter Rd.
London, ON N6E 1L3
Telephone: 519-280-7351
E-mail: sean.p.smith@ontario.ca

Ministère des
Richesses naturelles et des Forêts

Section d'Opérations Pétrolière
659 rue Exeter
London, ON N6E 1L3
Téléphone : 519-873-4787



INSPECTOR'S ORDER

**Issued pursuant to ss. 7.0.1(a) and (b) of the *Oil, Gas and Salt Resources Act*,
R.S.O. 1990, c. P.12 ("OGSRA")**

Order Number I41-20-12920-001

Orderees:

Clearbeach Resources Inc.
2807 Woodhull Rd.
London, ON
Canada, N6K 4S4

Jane E. Lowrie
2807 Woodhull Rd.
London, ON
Canada, N6K 4S4

Description of Orderees:

Clearbeach Resources Ltd. was incorporated under the laws of Ontario, with the corporation number 814056. In 2008 the company was amalgamated with Clearwood Resources Inc. and continued on as Clearbeach Resources Inc. with the corporation number 1748874. In 2019 the company was amalgamated with ON-Energy Corp. and continued on as Clearbeach Resources Inc. with the corporation number 5013470. The company is involved in the exploration, development and production of oil and gas deposits in Ontario. Between the years 1998 and 2000 Clearbeach became the licensee for five of the wells in question and, as it remains the licensee it is an "Operator" (as defined in OGSRA) for the wells that are the subject of this Order. Similarly, Clearbeach is the Operator for four wells which are licensed to ON-Energy Corp. and Liberty Oil & Gas Ltd., corporations which were amalgamated with and continued as part of Clearbeach in 2019,

Clearbeach Resources Inc. has one corporate officer since August 31, 2019: Jane E. Lowrie (Orderee). Ms. Lowrie has been Director and President of Clearbeach Resources Inc. throughout that time period.

Like Clearbeach Resources Inc., Ms. Lowrie is also an “Operator” (as defined in OGSRA) of the wells that are the subject of this Order, in her case as a person who has control or management of the operation of the works of which the wells in question form a part. She is the sole officer of the company and has been actively participating in management of its operations.

Description of the Wells that are the Subject Matter of this Order:

The wells that are the subject of this Order are currently licensed in the names of Clearbeach Resources Ltd. or the corporations which were amalgamated with Clearbeach (On-Energy Corp. and Liberty Oil & Gas Ltd.), and are under the control and management of, Clearbeach Resources Inc. and the sole director for the company, Ms. Lowrie. Their well licence numbers are T000930, T008609, T012101, T012148, T011476, T010748, T010480, T002933, T009691 and T010677. The wells are located on private lands in southwestern Ontario in relation to which agreements were entered into with the landowners for surface and subsurface mineral rights.

Basis for this Order:

The basis for this Order under s. 7.0.1(a), namely that the Inspector believes that the wells with licence no. T000930, T008609, T012101 and T012148 represent a hazard to the public or to the environment, is:

- the number of years that these wells have been inactive contrary to s. 19 of O. Reg 245/97;
- the age of the wells;
- historical noncompliance with respect to the wells in question; and
- the operators’ visible lack of well integrity management (as described in the Inspector’s Report dated October 14th, 2020, attached as Schedule “A” to this Order.

For these reasons, the wells represent a hazard to the public and to the environment, and as such, the Inspector is of the opinion that the wells described in this Order must be plugged by the operators.

The basis for this Order under s. 7.0.1(b) is the unplugged status of the wells with licence no. T000930, T008609, T012101, T012148, T011476, T010748, T010480, T002933, T009691 and T010677 notwithstanding they have been inactive for over 12 months, contrary to s.19 of O. Reg. 245/97 made under OGSRA.

Work Ordered:

Section 7.0.1 of OGSRA provides as follows:

7.0.1 *An inspector may order the operator of a well to plug the well or decommission a facility within such time as the inspector considers appropriate if,*

- (a) *the inspector is of the opinion that the well or facility represents a hazard to the public or to the environment; or*
- (b) *any activity relating to the well or facility has been suspended.*

Pursuant to s.7.0.1(a) and (b), I order you jointly and severally to do the following:

Item No. 1

Compliance Date: December/14/2020

On or before December 14th, 2020, plug the wells set out in Schedule “C” to this Order in the manner prescribed by Part 11 of the *OGSRA Provincial Operating Standards, Version 2.0*. A copy of that Part is attached as Schedule “F” to this Order.

Schedule "C" sets out those wells which pose the highest level of risk and hazard to the public and to the environment and on that basis, they are ordered to be plugged first. Furthermore, production operations for these wells have been inactive for more than one-year contrary to s.19 of O. Reg. 245/97 made under OGSRA.

Item No. 2

Compliance Date : February/14/2021

On or before February 14th, 2021, plug the wells set out in Schedule “D” to this Order in the manner prescribed by Part 11 of the *OGSRA Provincial Operating Standards, Version 2.0*. A copy of that part is attached as Schedule “F” to this Order.

Schedule “D” sets out those wells which, while posing a risk and hazard to the public and environment, do so to a lesser extent than the wells set out in Schedule “C”. On this basis, I order them to be plugged after the wells set out in Schedule “C”. Furthermore, production operations for these wells have also been inactive for more than one-year contrary to s. 19 of O. Reg. 245/97.

Item No. 3

Compliance Date : July/14/2021

On or before July 14th, 2021, plug the wells set out in Schedule “E” to this Order in the manner prescribed by Part 11 of the *OGSRA Provincial Operating Standards, Version 2.0*. A copy of that part is attached as Schedule “F” to this Order.

Schedule "E" sets out those wells which have been inactive for more than one-year contrary to s. 19 of O. Reg. 245/97.

Dated at London, Ontario this 14th day of October, 2020.

Sean Smith

An Inspector appointed under s. 2(1) of the OGSRA.

659 Exeter Road

London, Ontario

N6E 1L3

Phone: (519) 280-7351

Fax: (519) 873-4645

Email: sean.p.smith@ontario.ca

Appeal Option:

As provided for under section 7.0.2 (1) of the OGSRA, a person may submit a written request for an appeal to the Minister within 30 days of the issue date of this Inspector's Order. The right to appeal is not limited to well operators and landowners and may include other persons who consider themselves aggrieved by the Inspector's Order. The grounds for appeal must be specified in the letter of appeal and be accompanied by the required fee of \$100.00 made payable to the Minister of Finance. The appeal letter shall be sent to:

Director, Integration Branch
Ministry of Natural Resources and Forestry
Petroleum Operations Section
659 Exeter Road
London, Ontario N6E 1L3
Attention: Appeals Coordinator

The Appeals Coordinator shall on behalf of the Integration Branch Director send a written confirmation of receipt of the appeal letter to the Appellant within 7 days of receiving the appeal letter. The confirmation shall include a receipt for any fees paid.

The Minister may appoint one or more designees for the purpose of hearing the appeal.

The Ministry has produced written guidelines for the appeal process, entitled *Guidelines for the Appeal of a Petroleum Inspector's Order*, dated May 29, 2015. A copy of that document is available upon request.

Please note that under s. 7.0.2(11) of the OGSRA, the bringing of an appeal stays an Order made under s. 7.0.1(b) of the OGSRA. However, this Order served on you is

also made under s. 7.0.1(a) of the OGSRA for four wells. As a result, there is no provision in the OGSRA for a stay of this Order with respect to those four wells and with respect to them, you are required to comply with this Order notwithstanding any appeal you may choose to commence.

Non-compliance with this Order may lead to further enforcement action against you under the OGSRA.

Schedule “A”

Petroleum Inspector Sean Smith

Inspector’s Report Dated October 14th, 2020

Inspector's Report

Clearbeach Resources Inc., & Jane E. Lowrie

Inactive / Hazardous Wells

Background

Clearbeach Resources Inc. ("Clearbeach") is an Ontario-based company with a head office located at 2807 Woodhull Rd. in London, ON Canada, N6K 4S4. The company is involved in the exploration, development and production of oil and gas deposits in southern Ontario.

Clearbeach, and the corporations which were amalgamated with and continue on as part of Clearbeach (On-Energy Corp. and Liberty Oil & Gas Ltd.) hold active licences under the *Oil, Gas and Salt Resources Act* ("OGSRA") for 349 on-shore oil and natural gas wells. Ten of the wells are currently not in use (i.e., these are inactive licensed wells). These wells (T000930, T008609, T012101, T012148, T011476, T010748, T010480, T002933, T009691 and T010677) are located on private land in relation to which agreements were entered into with the landowners for surface and subsurface mineral rights. The wells and operations are located throughout multiple locations in southwestern Ontario.

Of the 10 licensed and inactive wells, T000930 was drilled in 1962, T008609 was drilled in 1949, T0012101 was drilled in 2011, T0012148 was drilled in 2012, T011476 was drilled in 2007, T010748 was drilled in 1935, T010480 was drilled in 2002, T002933 was drilled in 1970, T010677 was drilled in 2003 and T009691 was drilled in 2000.

Clearbeach annually reported the wells to have well statuses as “suspended” or “potential” on the annual well status reports (Form #3) since the drilling, completion and or acquisition of the wells.

The chronology that follows also provides a detailed account for non-compliances including the presence of leaks. Therefore, the potential for reoccurrence is high, thus contributing to four of the wells, which are identified, as being considered to pose a hazard pursuant to clause (a) of subs.7.0.1 of the Act.

Chronological Summary

Based on Ministry records, it was determined that 14 of the wells operated by Clearbeach were reported as “suspended” or “potential” for a period greater the 12 months. Of the 14 wells 10 were confirmed to be inactive.

On September 9, 2020 Inspector Sean Smith inspected 1 of the 4 wells (T000930). This well was noted to be inactive and leaking methane which was verified using an RKI Eagle 2 four gas detection instrument.

On September 10, 2020 Inspector Sean Smith inspected an additional 2 wells (T012101 & T012148). These 2 wells both were noted to be inactive.

On September 22, 2020 Inspector Sean Smith inspected 1 well (T008609). This well was noted to be inactive and leaking methane which was verified using cal-blue micro leak detection solution and an RKI Eagle 2 four gas detection instrument.

On October 5, 2020 Inspector Sean Smith issued written instruction to Clearbeach Resources Inc. and its Director Jane E. Lowrie advising of the inspections and requiring the operator to provide information by October 16, 2020 respecting their intention and time line to bring about compliance with the identified wells.

On October 9, 2020 the MNRF received written communication from Jane E. Lowrie Director (see schedule “B”) advising that Clearbeach is insolvent and expected to become bankrupt by October 15, 2020 and that the costs of legal proceedings and

related to bankruptcy trustee involvement will prevent Clearbeach from plugging wells and remediating sites, except as safety issues.

Hazards in Relation to Wells T000930, T008609, T012101 and T012148

Oil and gas wells penetrate the subsurface geological layers that isolate subsurface fluids and hydrocarbons from fresh ground water sources and the natural environment above the bedrock. It is accepted that wells are human-made hazards that can have unpredictable consequences and that it may be difficult to fully quantify the effects on public safety and the environment. This is even more prevalent with wells that have not been maintained and have been inactive for considerable periods of time. These unmaintained and/or inactive gas wells pose greater risks to public safety and the natural environment due to an increased possibility of an event or accident associated with a lack of daily monitoring and continued maintenance of the original well construction.

The following are hazards that are relevant to the Clearbeach wells, wells that range from 8 to 71 years old and are inactive and have not been abandoned in accordance with the Provincial Operating Standards:

Well integrity – Clearbeach’s failure to participate in any operations/monitoring/maintenance of the licensed, which was visibly apparent during inspection of the four wells, confirms the absence of a proper well-integrity management system in which the operator’s commitments, requirements and responsibilities would be defined and set out, so as to manage the risk of loss of well containment over the well’s lifecycle. This lack of maintenance, oversight, and corrective actions could correspond directly to the hazards associated with leaking of Methane, as indicated above, and the potential for leaks of Hydrogen Sulphide.

The age range of the wells in question are 8 to 71 years. Over time, wellhead infrastructure, casings and cement installed during the construction of a well will fail from exposure to various environmental conditions if not monitored and maintained. These conditions include hydrocarbons, hydrocarbon fluids, extreme weather

conditions, exposure to human activities, etc. The failure of these isolation and protection barriers can offer a direct conduit for migration of fluids and gases toward or all the way to the surface, allowing them to come in contact with other geological layers and/or with the atmosphere.

Migration of fluids and gases can also occur in the subsurface at intermediate depths between geological layers with the same undesirable consequences.

Inactive and unmaintained wells can have significant infrastructure associated with them (i.e. wellheads and pipelines) that also have to be maintained until the wells are plugged. When wells are plugged, the associated wellheads and pipelines are decommissioned which alleviates the potential for leaks.

Natural Gas, Methane (CH₄) – the release or uncontrolled release of methane detected from 2 wells (T000930 and T008609, 71 years and 58 years of age respectively) is directly related to the operator's failure to monitor and maintain the wells at all times. The age and lack of operating/monitoring and maintenance of the wells also increases the degree of risk for a release or uncontrolled release of methane from the wells which could be directly related to the operators' failure to monitor and maintain the wells and well barriers at all times and would have the following potential public and environmental, health and safety impacts or effects:

- Methane gas or vapors may travel a considerable distance and can accumulate in hazardous amounts in low-lying areas or confined spaces. In high concentrations, methane displaces oxygen creating an oxygen deficient environment unfit for human habitation.
- Methane gas or vapors are highly flammable at levels between 5% - 15% in the air and any buildup of methane gas or vapors can readily form an explosive mixture that can easily ignite with any source of open flame, spark, combustion or static discharge that may flash back to a leak.
- Methane's main health and safety impact is on a local scale, and can cause sickness, permanent damage to organs, coma and/or death to individuals

exposed to high concentrations, or evacuation of rural and urban areas localized to the source of the release or resulting fire and/or explosion.

- Methane's environmental impact is predominantly related to its contribution to global warming and the production of lower atmosphere ozone.

Hydrogen Sulphide gas (H₂S) – Hydrogen Sulphide commonly occurs in sulphate-rich groundwater in bedrock in many parts of southwestern Ontario. Wells (T000930, T012101 and T012148) are all identified by the operator as having high H₂S content based on signage observed at the respective well sites. Although no confirmed levels of H₂S have been recorded with these wells during inspection, this is not to say that H₂S at some concentration could not be leaking from the wells or could not begin leaking from the wells in the future. The age and lack of operating/monitoring and maintenance of the wells also increases the risk that hydrogen sulphide has degraded the well barriers (i.e. casing and cement that isolates the sulphur water zones from the well bore and therefore will allow it to flow into the well). The operators' failure to monitor and maintain the well at all times could result in the release of sulphur water and hydrogen sulphide at surface, which would have the potential for the following public and environmental, health and safety impacts or effects:

- Hydrogen Sulphide is slightly soluble in water and becomes corrosive to carbon steel (casings) when in the presence of water.
- Hydrogen Sulphide's environmental impact is principally related to an oxidization process when it is released into the atmosphere and becomes other forms of pollutants such as sulfur dioxide, sulfates and sulfur.
- Hydrogen Sulphide gas may travel a considerable distance and can accumulate in hazardous amounts in low-lying areas or confined spaces, resulting in an oxygen deficient environment unfit for human habitation and/or other health hazards.
- Hydrogen Sulphide is considered to be a broad-spectrum poison that can be inhaled or absorbed through contact with the eyes.

- Hydrogen Sulphide can potentially affect several different components of the human body with the greatest negative impact occurring on the central nervous system. When inhaled it forms sodium sulfide which is a caustic material.
- Hydrogen Sulphide gas is highly flammable at levels between 4% - 40% in the air and any buildup of the gas can readily form an explosive mixture that can easily ignite with any source of open flame, spark, combustion or static discharge that may flash back to a leak.
- Hydrogen Sulphide is also highly reactive with metal oxides, oxidizing agents and strong bases and on contact there is an increased risk of fire or explosion.
- A Hydrogen Sulphide fire may generate sulfur oxides as a by-product of combustion which is also a pollutant and corrosive material.
- Hydrogen Sulphide's main health and safety impact is on a local scale, and can cause sickness, permanent damage to organs, coma and/or death to individuals exposed to concentrations, or evacuation of rural and urban areas localized to the source of the release or resulting fire and/or explosion.

Inspector's Opinion

Based on my experience; my personal observations; the compliance infractions identified during inspections of the wells; the operators' compliance history respecting the four wells in Schedules "C" & "D"; the age of the wells; the operators' confirmation regarding lack of a maintenance program for the wells (except in safety situations); the known hazards associated with wells left unattended in an unused state and the lack of maintenance or monitoring that was apparent during inspections; the risks posed by methane gas (identified in this report); as well as a failure to comply with the plugging requirement contained in s. 19 of Ontario Regulation 245/97; it is my opinion that the Operators:

- a) have not demonstrated a commitment to maintaining full control of gases/fluids within the well or works at all times, to prevent unintended movement or leakage to the environment;

- b) have not demonstrated a commitment to safeguarding public and environmental health and safety through appropriate maintenance/oversight of the well and works in question;
- c) have not demonstrated the application of technical, operational and organizational solutions to reduce risks of uncontrolled releases throughout the life cycle of the well and works (which would include a multi-disciplinary approach), for the purpose of the ongoing assessment of the status of the well barriers at all times; and
- d) the wells have been reported as inactive and not used by the operators for approximately 3 to 13 years.

Therefore, it is my opinion that the four subject wells represent a hazard to the public and the environment.

These four wells, as well as an additional six wells in Schedule “E”, have been inactive for a period greater than a year.

Conclusion

An Order is hereby issued to Clearbeach Resources Inc., and Jane E. Lowrie to plug the wells identified in the Order based on ss. 7.0.1(a) and/or (b) of the OGSRA, as set out in the Order and the attached Schedules.

Dated at London, Ontario this 14th day of October, 2020.

Sean Smith
Digitally signed by Sean Smith
DN: cn=Sean Smith, o=Petroleum
Operations Section, ou=MNR,
email=sean.p.smith@ontario.ca, c=CA
Date: 2020.10.14 20:10:36 -04'00'

Sean Smith
An Inspector appointed under s. 2(1) of the OGSRA.

Schedule “B”
Clearbeach Resources Inc. Communication

October 9th, 2020**SENT VIA EMAIL**

Mark Emery
Petroleum Compliance Supervisor
Ontario Ministry of Natural Resources and Forestry
Petroleum Operations Section
659 Exeter Road, Fourth floor
London, ON
N6E 1L3

Re: Bankruptcy of Clearbeach Resources Inc. ("Clearbeach")

Dear Mark:

I regret to advise you that Clearbeach is insolvent and expected to become bankrupt as soon as October 15th, 2020. The added costs of the projected legal and bankruptcy trustee involvement during the bankruptcy process will prevent Clearbeach from plugging wells and remediating sites, except as safety issues, during the period of bankruptcy. If retained by the trustee to do so, current staff will continue to operate the wells under the supervision of Eastern Oilfield Services Ltd.

Pace Savings and Credit Union are the primary lender of Clearbeach. Lagasco Inc. had an approved offer to purchase all of the oil and gas assets in the summer of 2019 which was conditional upon a financing in Lagasco and a sale of some oil and gas assets to Orex Energy Inc. ("Orex"). When the asset sale was declared to be frustrated by Orex due to the delays and lengthy timelines to transfer the wells, the Lagasco financing was lost, and Pace demanded immediate payment of all loan facilities. Pace indicated that they were not willing to re-structure the debt and attempted to put Clearbeach into receivership in July. Clearbeach opposed this receivership due to the lack of a plan by Pace to operate and administer the assets during the receivership and filed a notice of intention to make a proposal pursuant to the *Bankruptcy and Insolvency Act* (the "NOI Proceeding"). Pace objected to the NOI Proceeding and brought a motion to have its receivership motion heard. Accordingly, the NOI Proceeding was stayed by the Ontario Superior Court of Justice (Commercial List) and Pace's receivership motion was scheduled to be heard on September 23, 2020. On the morning that Pace's receivership motion was to be heard, Pace abandoned its receivership motion and the stay of the NOI Proceeding was continued. The Court has given Clearbeach some additional time to correspond with the Ontario Ministry of Natural Resources and Forestry regarding the path forward. The parties are to appear back before the Court on October 15 and it is expected that the Court may terminate the stay of the NOI Proceeding on that date, resulting in the bankruptcy of Clearbeach.



CLEARBEACH RESOURCES INC.

2807 Woodhull Road
London, Ontario, Canada N6K 4S4

Tel: 519-657-2151 Fax: 519-657-4296

In the affidavit filed by Pace in connection with its receivership motion, Pace testified that the wells require little maintenance, and that my insistence on maintaining a plugging program was not necessary. The properties remain under our care and control, with monitoring, but PACE Savings have encumbered one of Clearbeach's bank accounts and are refusing to release funds for operations, royalties, or asset retirement obligations during this proceeding, thus inhibiting the ability to comply with various MNRF directives.

As you are aware, Clearbeach has suspended wells that require plugging in addition to other current compliance deficiency lists with timelines and deadlines. The low prices of oil and natural gas have eroded value and caused many of the lower producing wells to be uneconomic, therefore increasing the plugging requirements for the coming few years. For the reasons mentioned above, I am concerned with Clearbeach's inability to comply with the previously committed timelines and deadlines. I am also concerned that if a prolonged bankruptcy process is to occur, it will erode the value that remains to fund asset retirement obligations and operate the assets to the end of their productive life in a profitable and compliant manner.

At this stage of the proceedings, it is proposed that the assets will enter a bid process, and it is unclear as to whom will be the final owner of the Clearbeach assets.

I am offering and remain available to discuss this process and the issues arising therefrom with you at any mutually convenient time, to the best of my knowledge.

Thank you,

Jane Lowrie, President
Clearbeach Resources Inc.

Schedule “C”
Wells to be Plugged by December 14th, 2020,
under 7.0.1(a) and (b) of the Act

No.	Well Licence No.	Full Name	On Shore	Year Drilled	Year Well Became Inactive
1.	T000930	Tobacco Road No. 4-McColl No.3, Orford 1-56-STR	Y	1962	2017
2.	T008609	Imperial Oil No. 219-Beacher No. 52-A&M Hay No. 2	Y	1949	2013

Schedule “D”
Wells to be Plugged by February 14th, 2021 ,
under 7.0.1(a) and (b) of the Act

No.	Well Licence No.	Full Name	On Shore	Year Drilled	Year Well Became Inactive
1.	T012101	Clearbeach et al #40	Y	2011	2011
2.	T012148	Clearbeach et al #42	Y	2012	2012

Schedule “E”

Wells to be Plugged by July 14th, 2021, under 7.0.1(b) of the Act

No.	Well Licence No.	Full Name	On Shore	Year Drilled	Year Well Became Inactive
1.	T011476	Clearbeach et al #36, Sombra 4-3-V	Y	2007	2007
2.	T010748	Prarie Gas & Oil Co. No.5 – V. Duphette No.1	Y	1935	2017
3.	T010480	REC #11, Aldborough 1 – 21- IV	Y	2002	2017
4.	T002933	SHAWNEE-UBR, South Walsingham – 4 – A	Y	1970	2018
5.	T010677	GGOL #17, Aldborough 2-2 – D – VII	Y	2003	2017
6.	T009691	GGOL #32 (Horiz #1), South Walsingham 2 – 6 – VI	Y	2000	2018

**Schedule “F”
Excerpt from
OGSRA Provincial Operating Standards, Version
2.0**

11. Well Plugging

Every person who plugs a well shall do so in a manner that:

- (a) ensures the protection of potential oil or gas producing horizons;
- (b) prevents the migration of oil, gas or water from one horizon to another;
- (c) seals off and isolates all porous formations from those located above and below; and
- (d) does not constitute a hazard to users of the surface.

Note: Refer to section 13 for well plugging reporting requirements.

11.1 Hydrocarbon Storage and Solution Mining Wells

- (a) Plugging of hydrocarbon storage wells shall be in accordance with CSA Z341-98.
- (b) Solution mining wells shall be plugged in accordance with the requirements of Section 9.9.

11.2 Removal of Well Casing and Equipment

Casing, tubing and foreign material shall be removed from the well sufficiently to conform to the requirements of this Part.

11.3 Plugging Materials

- (a) Cement plugs shall be:
 - (i) neat cement without the addition of volume extender additives, gravel or any non-drillable material,
 - (ii) mixed in accordance with API Specifications for oil well cements,
 - (iii) in the form of a water-base slurry, having a weight of 1.9 kg per liter, and
 - (iv) sulphate resistant where intended to isolate sulphur-bearing fluid zones.
- (b) Bridges shall be of wood or stone, gravel, lead, or any combination of these or a special bridging device, but shall not include any non-drillable material.

11.4 Method of Plug Placement

Cement shall be deposited by displacement through tubing or drill pipe or by dump bailer.

11.5 Plug Volume

- (a) Pumped cement plugs, except the top plug, shall have sufficient slurry volume to fill 30 metres of hole plus 10% excess.
- (b) Dump-bailed plugs shall have sufficient volume to fill 8 metres of hole plus 10% excess.

11.6 Locating Plugs

The operator shall locate (tag) and provide for an Examiner to certify the placement and location of:

- (a) each plug set at the top of each oil or gas fluid bearing zone, storage zone or salt cavern roof; and
- (b) the top most plug set in the well.

11.7 Plug Interval Material

The intervals between plugs shall be filled with water or drilling mud.

11.8 Location of Cement Plugs

Regardless of whether casing is cemented in the hole the operator shall set cement plugs:

- (a) above and below each oil, gas and fluid bearing zone and

- (b) at the top of the Cambrian, Trenton, Cataract, Guelph, Salina, Dundee and bedrock formations, and at the base of the Guelph formation.

11.9 Size of Plugs

Cement plugs shall extend a distance of 8 metres in the well.

11.10 Recovery of Casing

The operator shall ensure that procedures for the recovery of casing comply with the following:

- (a) surface casing, or other casing one size smaller in lieu thereof, may be recovered and where surface casing is left in the hole, it shall be fitted with a welded cap, or plugged with at least 3 metres of cement, and in all cases shall be cut off 1 metre below grade, except where the well is in a water-covered area, then the surface casing shall be cut off at or below the bed of the body of water;
- (b) where surface casing is removed, the hole shall be filled completely to the surface with clay or sand or cuttings as the surface casing is withdrawn, except that a cement plug shall be set between 1 metre and 2 metres from surface; and
- (c) when insufficient surface casing is set to protect every zone which contains potable water, and any such stratum is exposed to the well bore when production or intermediate casing is recovered from the well, a cement plug shall be placed across the interval from 15 metres below the base of the zone to 15 metres above the top of the zone.

11.11 Additional Plugs

Additional cement plugs shall be set as follows:

- (a) across the shoe of the surface casing extending at least 8 metres above and below the shoe;
- (b) if surface casing has been set deeper than 60 metres below the base of the deepest potable water zone, an additional cement plug shall be placed inside the surface casing across the base of the deepest potable water zone;
- (c) for wells in which the intermediate casing has been cemented across every porous zone intersected, a cement plug shall be placed inside the casing immediately below the base of the deepest potable water zone;
- (d) if intermediate casing is to be left in the hole, a plug must be set across the shoe extending at least 8 metres above and below the shoe;
- (e) for wells in which intermediate casing is not cemented through every porous zone, the casing shall be recovered to allow optimum placement of cement plugs;
- (f) for wells in which the production casing has been cemented through every porous zone, a cement plug shall be placed inside the casing and immediately below the base of the deepest potable water zone and across any multi-stage cementing tool;
- (g) for wells in which the production casing has not been cemented through every porous zone, the production casing shall be recovered to allow optimum placement of cement plugs at the required depths specified above;
- (h) for horizontal drain hole wells the productive zone isolation plug shall be 8 metres and set at the top of the productive zone, or across the shoe of the production casing.

11.12 Bridge Plugs

The operator may run a bridge plug above each perforated interval, if at least 8 metres of cement is placed on top of each bridge plug.

11.13 Well Site Rehabilitation - Onshore

The operator shall return the well site to its original condition as nearly as practical and as soon as practical but no later than 6 months from the plugging date and the operator shall provide for an Examiner to visit the site and certify that rehabilitation and plugging of the well was completed in accordance with this Standard. Rehabilitation shall include:

- (a) disposing of all liquid and solid waste in environmentally acceptable and safe manner;
- (b) clearing the area of all debris;
- (c) draining and filling the excavations;
- (d) removing all surface works, unused concrete bases, machinery, and materials; and
- (e) leveling and restoring original grade of the site.

11.13.1 Well Site Rehabilitation - Water Covered Areas

When a well located in a water covered area is plugged, the operator shall cut off any casing left in the well at or below the bed of the body of water.

11.14 Reporting

The operator shall record the cement type, slurry weights, slurry volume, and special additive concentrations on the daily drilling report and submit a Form 10 report as required in Part 13 for every well plugged.

PACE SAVINGS & CREDIT UNION LIMITED
Applicant

and

CLEARBEACH RESOURCES INC. ET AL
Respondents

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