

COMMITMENT LETTER FOR THE
INTERIM FINANCING CREDIT FACILITY ("DIP Facility")

OCTOBER 14, 2014

BORROWERS: Gradek Energy Inc. and Gradek Energy Canada Inc. (collectively, the "**Borrower**" or "**Gradek Energy**").

LENDER: Alfred Sorensen, Robert Andrews, and Thom Dawson (the "**DIP Lenders**").

DIP CREDIT FACILITY: A revolving term credit facility (the "**DIP Credit Facility**") in a principal amount not to exceed CAD 700,000 (the "**Maximum Commitment**") less such reasonable reserves (including, without limitation, any payables or claims which may rank ahead of the Security), which the DIP Lenders may, from time to time, in their sole discretion, establish (the "**Borrowing Base**").

PURPOSE: This DIP Credit Facility is being provided to support Gradek Energy's continued operations and restructuring initiatives following the issuance of an initial order (as amended from time to time, the "**Initial Order**") comprising a stay of proceedings (the "**Stay**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**").

AVAILABILITY AND DISBURSEMENT: The Borrower shall be entitled to avail itself of advances under the Credit Facility up to the limit of the Borrowing Base, from time to time, on a revolving basis, which will, unless directed otherwise by the Borrower, be advanced by way of one single direct advance from the DIP Lenders on the date hereof.

The DIP Credit Facility shall only be used to:

- (i) provide exclusively for payroll, rent and other ordinary course operating expenditures needed for the carrying out of Gradek Energy's ongoing business during the CCAA proceeding;
- (ii) pay interest, fees and expenses associated with the DIP Credit Facility; and
- (iii) completely pay all reasonable professional fees and disbursements associated with the CCAA proceedings.

CONDITION PRECEDENT: The terms and condition of the DIP Facility reflected in this term sheet shall be approved by the Superior Court of Quebec (the "**CCAA Court**") supervising the proceedings under the CCAA (the "**CCAA Proceedings**").

MATURITY DATE: All amounts due and outstanding under the Credit Facility may be repaid by the Borrower from time to time and, subject to availability under the Borrowing Base, re-advanced by the DIP Lenders to the Borrower upon request therefor. All obligations, including all outstanding amounts due from time to time under the DIP Credit Facility (including all interest, fees, costs and expenses with

respect thereof) shall automatically become due and exigible upon the earliest of the following events:

- (a) the occurrence of any Default;
- (b) any sale or transfer of the whole or any substantial portion of the assets of the Borrower to any person or entity whatsoever outside the ordinary course of business;
- (c) the lift or termination of the Stay;
- (d) the occurrence of any breach or event of default under any accepted and sanctioned plan of arrangement filed by the Borrower under the CCAA Proceedings; and
- (e) six (6) months from the present date.

INTEREST:

The Borrower will pay interest calculated on a daily basis on the number of days elapsed and based on the actual number of days in the year, without demand or notice, on the outstanding balance of the Credit Facility from time to time outstanding, at the rate of 10 percent (10%) per annum. For the purposes of the *Interest Act* (Canada), all annual rate of interest referred to herein are based on a calendar year of 365 or 366 days, as the case may be. Notwithstanding the foregoing, however, in the event that an annual rate of interest applicable herein is applicable on a basis of a period of less than 365 days (or 366 days in the case of a leap year), the applicable annual interest shall be determined by multiplying the interest rate so calculated by the number of days in such period and dividing the product thereof by 365 (or 366 in the case of a leap year).

Such interest shall be payable both before and after demand, default, maturity and judgment with interest on overdue interest at the same rate.

SECURITY:

All outstandings under the DIP Credit Facility, all interest thereon and accrued interest in respect thereof, all fees and charges, all other amounts payable by the Borrower, all other obligations of the Borrower in virtue of this or any other agreement or understanding in virtue of which the Borrower is bound to the DIP Lenders (collectively, the "Obligations"), shall be secured on a continuing and collateral basis, by a hypothec, charge and security interest (the "**DIP Charge**"), granted and received pursuant to the Initial Order on all of the present and future, corporeal and incorporeal, movable and immovable assets of the Borrower, whether located in Québec or elsewhere (collectively, the "**Collateral**"), for an aggregate sum of CAD 900,000 plus interest at the rate of twenty-five percent (25%) thereof, ranking against all of such property senior to and ahead of all present and future hypothecs, prior charges, security interests, statutory deemed trusts, liens, charges, encumbrances or any other rights of any nature or source

whatsoever (excluding the Permitted Encumbrances and Priority) without any requirement of publication, registration recording or filing in any jurisdiction whatsoever.

PERMITTED
ENCUMBRANCES AND
PRIORITY:

The DIP Charge will be on the Collateral and rank in priority to any and all other claims, prior claims, security, hypothecs, liens, charges or other encumbrances (the “**Encumbrances**”), except only as follows:

- the DIP Charge will be subordinate to the “**Administrative Charge**” and the “**Director’s Charge**” to be created under the Initial Order.

CCAA PROCEEDINGS:

All orders of the CCAA Court (including without limitation the Initial Order), and all motions relating thereto, shall be in form and substance acceptable to the DIP Lenders.

FINANCIAL AND
OTHER REPORTING:

The Borrower, if required by the DIP Lenders, will provide to the DIP Lenders the monthly internally-prepared financial statements, the weekly cash flow budgets and the annual financial statement. In addition, copies of all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of any of the Borrower or the Monitor with the CCAA Court, and such other reports and information respecting the Borrower’ business, financial condition or prospects as the DIP Lenders may, from time to time, reasonably request shall be provided to the DIP Lenders prior to being filed with the CCAA Court.

OTHER TERMS AND
CONDITIONS:

The obligation of the DIP Lenders to make any advances under the DIP Credit Facility and to continue to make any advances under the DIP Credit Facility are subject to and conditional upon the fulfillment of each of the following terms and conditions to the entire satisfaction of the DIP Lenders:

- An Initial Order shall be issued by the CCAA Court approving and authorizing the DIP Facility and the DIP Charge in form and substance satisfactory to the DIP Lenders.
- The DIP Lenders shall be satisfied, in their sole discretion, that the DIP Charge has the priority described above under the heading “PERMITTED ENCUMBRANCES AND PRIORITY”.
- Borrower shall pay and discharge all taxes and other priority and statutory charges on a timely basis;
- Borrower shall maintain commercially reasonable insurance protection (terms, underwriter, scope, and coverage to be acceptable to DIP Lenders).
- Borrower shall not create or allow the creation of any hypothecation, pledge, security interest or rights in any of the Borrower’s present or after-acquired property or assets without the DIP Lenders’ express prior written consent.

- No litigation will have been or be commenced which has not been stayed by the Initial Order, as applicable, and which, if successful, will have a material adverse impact on the Borrower, its business or the Borrower's ability to repay the DIP Facility, or which will challenge the transactions under consideration.
- Mergers, acquisitions, amalgamations, or any other transaction (including, without limitation, the terms of any plan of arrangement, compromise or reorganization filed pursuant to or in conjunction with the CCAA Proceeding), sale of the Borrower's assets outside of the ordinary course of business or reorganization of the Borrower's share capital shall be prohibited, except as may be permitted by orders issued in the CCAA Proceedings with the prior written consent of the DIP Lenders.
- The occurrence of any one or more of the following events will constitute a default hereunder (a "**Default**"):
 - (a) if the Borrower defaults in the punctual payment of principal or interest when due under the DIP Credit Facility;
 - (b) if the Borrower fails to perform, fulfill, observe or comply with any covenant, term or condition on its part to be performed, fulfilled, observed or complied with;
 - (c) if the Borrower removes any part of its undertaking or property or assets out of any of the Provinces in which it is presently located;
 - (d) if the Borrower abandons its undertaking or property or assets or any part thereof or if the Borrower suspends or ceases or threatens to suspend or cease business operations;
 - (e) if the whole or any portion of the Borrower's property is sold in execution or in satisfaction of the rights of any other party;
 - (f) if a judgment is rendered against the Borrower which is likely to result in a material adverse change in the financial or any other condition of the Borrower;
 - (g) if the Obligations are not fully paid to the DIP Lenders on the Maturity Date.

- Events of Default will also include, but not be limited to, (i) the filing of a notice of appeal or appeal in respect of the Initial Order which in the reasonable judgment of the DIP Lenders may adversely affect the DIP Lenders' rights, remedies, liens, charges, priorities, benefits and protection under the Initial Order or the DIP Facility; (ii) the appointment of an interim receiver, receiver/manager or trustee in bankruptcy with powers to operate or manage the affairs of the Borrower; (iii) the dismissal of the CCAA Proceedings, or granting relief from the stay in favor of third parties except as contemplated by the DIP Facility or otherwise consented to by the DIP Lenders; (iv) a post-CCAA Proceedings judgment liability or event that will, in the DIP Lenders' judgment, exercised reasonably, significantly impair the financial condition or operations of the Borrower or their ability to perform under the DIP Facility or any order of the CCAA Court; (v) any violation or breach of any representation or warranty, or covenant in the DIP Facility agreements or any violations or non-compliance with any of the terms of the Initial Order, or any other issued in the CCAA Proceeding; (vi) any amendment or modification of the Initial Order which has not been expressly waived by the DIP Lenders and which adversely affects the DIP Lenders' rights, remedies, liens, charges, priorities, benefits and protections under any or all of the Initial Order or the DIP Facility.
- Compliance with all licenses, authorizations, certificates of approval and permits material to the operation of any Loan Party's business, and material compliance with all applicable laws, decrees and orders.

DECISIONS/MAJORITY
LENDERS:

Amendments and waivers of the provisions of the DIP Credit Facility shall require the approval of 2/3 of DIP Lenders holding more than 50% of the aggregate principal amount of the direct advances and unused commitments under the DIP Credit Facility; with the exception of the following matters which will always require unanimous consent:

- (a) a decrease in the rate or amount of any principal, interest, fees or other amount payable by the Borrowers or alteration in the currency or mode of calculation or computation thereof;
- (b) a change in the Maturity Date or other extension or reduction of the time for any payments required to be made by the Borrowers;
- (c) an increase in the total commitment or in any DIP Lender's commitment;
- (d) a change in the definition of Majority Lenders;
- (e) releases, discharges, postponements or subordinations of

the liens constituted by the Security.

RIGHT OF DIP
LENDER TO CREDIT
BID:

Nothing in this DIP term sheet or any DIP Facility documentation shall prevent the DIP Lenders from offering to purchase some or all of the Collateral in consideration of the satisfaction, in whole or in part, of any obligations of the Borrower under the DIP Facility (a "**Credit Bid**"), and the Borrower shall not restrict the right to do a Credit Bid.

INDEMNITY OF DIP
LENDER:

The Borrower agrees to indemnify and hold the DIP Lenders, its affiliates, and the directors, officers, employees, and representatives of any of them (the "**Indemnified Parties**"), harmless from and against all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including, but not limited to, reasonable legal fees) of any kind which may be incurred by, or asserted against, any Indemnified Parties in connection with, or arising out of, the DIP Facility, or any other related financing, documentation or dispute, except to the extent resulting from an Indemnified Parties gross or intentional fault.

GOVERNING LAW:

Quebec

GENERAL:

- All payments of principal, interest and any other amounts due to the DIP Lenders by the Borrower hereunder will be made by the Borrower without the necessity of demand, at the DIP Lenders' offices. The DIP Lenders reserve the right to impute all payments made at their sole discretion.
- The parties acknowledge that they have required that this agreement and all related documents be prepared in English/Les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

(signatures on following page)

GRADEK ENERGY INC.

Per:

Name:

ALFRED SORENSEN

Title:

GRADEK ENERGY CANADA INC.

Per:

Name:

THOM DAWSON

Title:

ROBERT C. ANDREWS