
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report: January 28, 2014
(Date of earliest event reported)

Arête Industries, Inc.

(Exact name of registrant as specified in its charter)

COLORADO
(State or other jurisdiction
of incorporation)

33-16820-D
(Commission
File Number)

84-1508638
(IRS Employer
Identification No.)

7260 Osceola Street
Westminster, CO 80030
(Address of principal executive offices) (Zip Code)

(303) 427-8688
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).
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ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT; ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

Bank Line of Credit

On January 28, 2014, we entered into a line of credit loan agreement for \$1,500,000 due January 15, 2015. The terms of the note are as follows: 1) the accrued interest is payable monthly starting February 28, 2014, 2) the interest rate is variable based on an index equal to the prime rate as published by the Wall Street Journal index (currently 3.25%) plus 1%, subject to a minimum rate of 6.5%, the note has draw provisions, with the first draw of \$479,701.39, 4) the note is secured by seven wells and leases owned by the Company, a certificate of deposit for \$500,000 at CityWide Bank pledged by a third party, and 5) the personal guarantee of the Nicholas Scheidt, Chief Executive Officer. The amount eligible for borrowing on the Credit Facility is limited to the lesser of (i) 65% of the Company's PV10 value of its carbon reserves based upon the most current engineering reserve report or (ii) 48 month cumulative cash flow based upon the most current engineering reserve report. In addition to the borrowing base limitation, the Company is required to maintain and meet certain affirmative and negative covenants and conditions in order to draw advances on the Credit Facility. The Credit Facility contains certain representations, warranties, and affirmative and negative covenants applicable to the Company, which are customarily applicable to senior secured loan facilities. Key covenants include limitations on indebtedness, restricted payments, creation of liens on oil and gas properties, hedging transactions, mergers and consolidations, sales of assets, use of loan proceeds, change in business, and change in control.

The above-referenced promissory notes contain customary default and acceleration provisions and provide for a default interest rate of 21% per annum. In addition, the Credit Facility contains customary events of default, including: (a) failure to pay any obligations when due; (b) failure to comply with certain restrictive covenants; (c) false or misleading representations or warranties; (d) defaults of other indebtedness; (e) specified events of bankruptcy, insolvency or similar proceedings; (f) one or more final, non-appealable judgments in excess of \$50,000 that is not covered by insurance; (g) change in control (25% threshold); (h) negative events affecting the Guarantor; and (i) lender in good faith believes itself insecure. In an event of default arising from the specified events, the Credit Facility provides that the commitments thereunder will terminate and the Lender may take such other actions as permitted including, declaring any principal and accrued interest owed on the line of credit to become immediately due and payable. The Credit Facility is secured by a security interest in substantially all of the assets of the Company, pursuant to a Security Agreement, Deed of Trust and Assignment of As-Extracted Collateral entered into between the Company and Citywide Banks.

Related Party Notes Payable

On January 1, 2014, we memorialized our short-term liabilities into formal promissory notes. These certain outstanding advances and other notes payable are now included in single promissory notes, all have been previously reported in our financial statements. Information concerning these promissory notes is set forth in the table below.

<u>Name of Holder</u>	<u>Position</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Monthly P&I Payment Amount</u>	<u>Number of Monthly Payments</u>
Donald W. Prosser	CFO & Director	\$28,500	7.00%	\$ 564.33	60
Charles B. Davis	COO & Director	\$66,500	7.00%	\$1,316.78	60
William Stewart	Director	\$49,500	7.00%	\$ 980.16	36

The above-referenced promissory notes contain customary default and acceleration provisions and provide for a default interest rate of 18% per annum.

In addition, we also issued an unsecured promissory note in the amount of \$792,151 on January 1, 2014 to DNR Oil & Gas, Inc. ("DNR") to consolidate short term debt owed to DNR. DNR is a company controlled by one of our directors, Charles B. Davis. The DNR note accrues interest at the rate of 2.50% for the calendar years 2014 and 2015, 4.00% for the calendar year 2016, 6.00% for the calendar year 2017 and 8.00% for the remainder of the term of the DNR note. The DNR note matures on January 1, 2019. The DNR note requires payments as follows:

- One payment of \$250,000 in 2016;
- One payment of \$250,000 in 2017;
- One payment of \$250,000 in 2018; and
- The balance of principal and accrued interest on or before January 1, 2019.

The DNR note contains customary default and acceleration provisions and provides for a default interest rate of 18% per annum.

Extension of Existing Promissory Notes

In June 2013, in connection with the conversions of Series A1 Preferred Stock by Burlingame Equity Investors II, LP and Burlingame Equity Investors Master Fund, LP, the Company issued unsecured promissory notes in the original principal amounts of \$48,000 and \$552,000, respectively, with interest at 7% per annum payable quarterly and all unpaid interest and principal due on July 23, 2014. In connection with our new line of credit, we have agreed with the holders of these two existing notes to make a partial prepayment on the principal balance of the Notes in exchange for an extension of the maturity date to January 27, 2015. Information concerning the principal pay down and new maturity date is set forth in the following table.

<u>Name of Holder</u>	<u>Principal Balance Before Pay down</u>	<u>Principal Pay down</u>	<u>Remaining Principal Balance</u>
Burlingame Equity Investors II, LP	\$ 44,000	\$ 17,511	\$ 26,489
Burlingame Equity Investors Master Fund, LP	\$ 506,000	\$232,489	\$ 273,511

Section 8.01 Other Events

On February 3, 2014, the Company issued a press release announcing a new financing and restructure of existing debt. A copy of this press release is attached as Exhibit 99.1 hereto. The reader is advised to read this press release in its entirety.

The information in this report shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The Exhibits listed below are furnished as Exhibits to this Current Report on Form 8-K.

<u>Exhibit No.</u>	<u>Description</u>
10.18	Promissory Note, Dated January 28, 2014 City Wide Bank
10.19	Promissory Note, Dated January 28, 2014 Donald W Prosser
10.20	Promissory Note, Dated January 28, 2014 Charles B Davis
10.21	Promissory Note, Dated January 28, 2014 William Stewart
10.22	Promissory Note, Dated January 28, 2014 DNR Oil & Gas, Inc.
10.23	Extension of Burlingame Equity Investors II, LP Promissory Note, Dated January 28, 2014
10.24	Extension of Burlingame Equity Investors Master Fund, LP Promissory Note
99.1	Press Release, Dated February 3, 2014

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARÊTE INDUSTRIES, INC.


Dated: February 3, 2014

By: /s/ Nicholas L. Scheidt

Name: Nicholas L. Scheidt

Title: Chief Executive Officer

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$1,500,000.00	01-28-2014	01-28-2015	200148907	4A / 25	AAA2435	CAC	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing " * * * " has been omitted due to text length limitations.

Borrower: Arete Industries, Inc.
P O Box 141
Westminster, CO 80036-0141

Lender: Citywide Banks
PO Box 128
Aurora, CO 80040-0128
(303) 365-3600

Principal Amount: \$1,500,000.00

Date of Note: January 28, 2014

PROMISE TO PAY. Arete Industries, Inc. ("Borrower") promises to pay to Citywide Banks ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Million Five Hundred Thousand & 00/100 Dollars (\$1,500,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on January 28, 2015. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning February 28, 2014, with all subsequent interest payments to be due on the last day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the The Prime Rate as Published in the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each Day. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 3.250% per annum.** Interest on the unpaid principal balance of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 1.000 percentage point over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 6.500% per annum based on a year of 360 days. NOTICE: Under no circumstances will the interest rate on this Note be less than 6.500% per annum or more than the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$25.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Citywide Banks, PO Box 128, Aurora, CO 80040-0128.**

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged **5.000% of the regularly scheduled payment.**

INTEREST AFTER DEFAULT. Upon default, at Lender's option, and if permitted by applicable law, Lender may add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). Upon default, the interest rate on this Note shall be increased to 21.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender the reasonable costs of such collection. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including without limitation attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Colorado without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Colorado.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

PROMISSORY NOTE

Loan No: 200148907

(Continued)

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LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note may be requested either orally or in writing by Borrower or as provided in this paragraph. All oral requests shall be confirmed in writing on the day of the request, on forms acceptable to Lender. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: Nicholas L. Scheidt, CEO of Arete Industries, Inc. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Citywide Banks Operations Center PO Box 128 Aurora, CO 80040-0128.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

ARETE INDUSTRIES, INC.

By: /s/ Nicholas L. Scheidt

Nicholas L. Scheidt, CEO of Arete Industries, Inc.

UNSECURED PROMISSORY NOTE

\$28,500

Westminster, Colorado
January 1, 2014

For value received, the undersigned, Arete Industries, Inc. ("Debtor"), of 7260 Osceola Street, Westminster, CO 80030, hereby promises to pay to the order Donald W Prosser (Prosser), 4565 E Mexico Ave. #17, Denver, Colorado 80222 on or before the 1st day of January 2019 ("Maturity Date"), the principal sum of Twenty Eight Thousand Five Hundred (\$28,500) Dollars, with interest of \$166.25, with principal and interest of \$564.33, payable monthly, at the rate of 7.00% per annum with the balance of unpaid interest and principal due at the end of the note.

Principal and Interest: This Promissory Note ("Note") shall be paid in 60 payment of principal and interest of \$564.33 paid monthly on the 15th day of the next month with the balance of unpaid interest and principal due on January 1, 2019.

Payments of both principal and interest are to be made in lawful money of the United States of America in immediately available funds.

Prepayment: Debtor shall have the privilege of prepaying without penalty all or any part of this Note, at any time, that includes the full interest payment.

Default and Acceleration: Upon the occurrence of a Default as defined in the Security Agreement, at the option of the Holder hereof, (i) the entire outstanding principal balance and all accrued but unpaid interest shall become immediately due and payable upon written notice to Borrower, (ii) the Holder may fully enforce its rights in the Collateral, if given, to secure the payment of this Note, and (iii) the Holder may pursue all other rights and remedies available under this Note, any instrument securing payment of this Note, or by law.

Default Rate of Interest: Upon the occurrence of a Default, Borrower promises to pay interest on the outstanding principal balance of this Note at a simple rate of interest equal to eighteen percent (18%) per annum, ("Default Rate").

Early Discharge: Upon full payment of the outstanding principal balance and all accrued but unpaid interest, this Note shall be fully discharged, cancelled and surrendered to Borrower.

Remedies Cumulative: The rights or remedies of the Holder as provided in this Note and any instrument securing payment of this Note shall be cumulative and concurrent and may be pursued at the sole discretion of the Holder singly, successively, or together against Borrower. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or the right to exercise them at any later time.

Forbearance: Any forbearance of the Holder in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by the Holder of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of the Holder's right to require prompt payment when due of all other sums payable hereunder.

Application of Payments: All payments made on this Note shall be applied first to payment of accrued but unpaid interest and the remainder of all such payments shall be applied to the reduction of the outstanding principal balance on this Note.

Usury: In the event the interest provisions hereof, any exactions provided for herein or in the Security Agreement or any other instrument securing this Note, shall result, in an effective rate of interest which, exceeds the limit of the usury or any other applicable law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied upon the outstanding principal balance of this Note immediately upon receipt of such moneys by the Holder, and any such amount in excess of such outstanding principal balance shall be immediately returned to Borrower.

Jurisdiction: This Note is to be governed according to the laws of the State of Colorado, without giving effect to conflict of law principles.

Binding Effect: This Note shall be binding upon Borrower, and its successors and assigns and shall inure to the benefit of the Holder and its successors and assigns.

Notice: All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Security Agreement for the giving of notices.

Attorneys' Fees: Borrower further promises to pay all reasonable attorneys' fees incurred by the Holder in connection with any Default hereunder and in any proceeding brought to enforce any of the provisions of this Note.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note effective as of the day and year first above written.

BORROWER:

ARETE INDUSTRIES, INC.

By: /s/ Nicholas Scheidt

Name: Nicholas Scheidt

Title: CEO

UNSECURED PROMISSORY NOTE

\$66,500

Westminster, Colorado
January 1, 2014

For value received, the undersigned, Arete Industries, Inc. ("Debtor"), of 7260 Osceola Street, Westminster, CO 80030, hereby promises to pay to the order Charles B Davis (Davis), 12741 East Caley, Suite 142, Centennial, Colorado 80111 on or before the 1st day of January 2019 ("Maturity Date"), the principal sum of Sixty Six Thousand Five Hundred (\$66,500) Dollars, with principal and interest of \$1,316.78, payable monthly, at the rate of 7.00% per annum with the balance of unpaid interest and principal due at the end of the note.

Principal and Interest: This Promissory Note ("Note") shall be paid in 60 payment of principal and interest of \$1,316.78 paid monthly on the 15th day of the next month with the balance of unpaid interest and principal due on January 1, 2019.

Payments of both principal and interest are to be made in lawful money of the United States of America in immediately available funds.

Prepayment: Debtor shall have the privilege of prepaying without penalty all or any part of this Note, at any time, that includes the full interest payment.

Default and Acceleration: Upon the occurrence of a Default as defined in the Security Agreement, at the option of the Holder hereof, (i) the entire outstanding principal balance and all accrued but unpaid interest shall become immediately due and payable upon written notice to Borrower, (ii) the Holder may fully enforce its rights in the Collateral, if given, to secure the payment of this Note, and (iii) the Holder may pursue all other rights and remedies available under this Note, any instrument securing payment of this Note, or by law.

Default Rate of Interest: Upon the occurrence of a Default, Borrower promises to pay interest on the outstanding principal balance of this Note at a simple rate of interest equal to eighteen percent (18%) per annum, ("Default Rate").

Early Discharge: Upon full payment of the outstanding principal balance and all accrued but unpaid interest, this Note shall be fully discharged, cancelled and surrendered to Borrower.

Remedies Cumulative: The rights or remedies of the Holder as provided in this Note and any instrument securing payment of this Note shall be cumulative and concurrent and may be pursued at the sole discretion of the Holder singly, successively, or together against Borrower. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or the right to exercise them at any later time.

Forbearance: Any forbearance of the Holder in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by the Holder of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of the Holder's right to require prompt payment when due of all other sums payable hereunder.

Application of Payments: All payments made on this Note shall be applied first to payment of accrued but unpaid interest and the remainder of all such payments shall be applied to the reduction of the outstanding principal balance on this Note.

Usury: In the event the interest provisions hereof, any exactions provided for herein or in the Security Agreement or any other instrument securing this Note, shall result, in an effective rate of interest which, exceeds the limit of the usury or any other applicable law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied upon the outstanding principal balance of this Note immediately upon receipt of such moneys by the Holder, and any such amount in excess of such outstanding principal balance shall be immediately returned to Borrower.

Jurisdiction: This Note is to be governed according to the laws of the State of Colorado, without giving effect to conflict of law principles.

Binding Effect: This Note shall be binding upon Borrower, and its successors and assigns and shall inure to the benefit of the Holder and its successors and assigns.

Notice: All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Security Agreement for the giving of notices.

Attorneys' Fees: Borrower further promises to pay all reasonable attorneys' fees incurred by the Holder in connection with any Default hereunder and in any proceeding brought to enforce any of the provisions of this Note.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note effective as of the day and year first above written.

BORROWER:

ARETE INDUSTRIES, INC.

By: /s/ Nicholas Scheidt

Name: Nicholas Scheidt

Title: CEO

UNSECURED PROMISSORY NOTE

\$49,500

Westminster, Colorado
January 1, 2014

For value received, the undersigned, Arete Industries, Inc. ("Debtor"), of 7260 Osceola Street, Westminster, CO 80030, hereby promises to pay to the order William Stewart (Stewart), 2007 Brazos Ct., Mission, TX 78572 on or before the 1st day of January 2017 ("Maturity Date"), the principal sum of Forty Nine Thousand Five Hundred (\$49,500) Dollars, with principal and interest of \$980.16, payable monthly, at the rate of 7.00% per annum with the balance of unpaid interest and principal due at the end of the note.

Principal and Interest: This Promissory Note ("Note") shall be paid in 36 payment of principal and interest of \$980.16 paid monthly on the 15th day of the next month with the balance of unpaid interest and principal due on January 1, 2017.

Payments of both principal and interest are to be made in lawful money of the United States of America in immediately available funds.

Prepayment: Debtor shall have the privilege of prepaying without penalty all or any part of this Note, at any time, that includes the full interest payment.

Default and Acceleration: Upon the occurrence of a Default as defined in the Security Agreement, at the option of the Holder hereof, (i) the entire outstanding principal balance and all accrued but unpaid interest shall become immediately due and payable upon written notice to Borrower, (ii) the Holder may fully enforce its rights in the Collateral, if given, to secure the payment of this Note, and (iii) the Holder may pursue all other rights and remedies available under this Note, any instrument securing payment of this Note, or by law.

Default Rate of Interest: Upon the occurrence of a Default, Borrower promises to pay interest on the outstanding principal balance of this Note at a simple rate of interest equal to eighteen percent (18%) per annum, ("Default Rate").

Early Discharge: Upon full payment of the outstanding principal balance and all accrued but unpaid interest, this Note shall be fully discharged, cancelled and surrendered to Borrower.

Remedies Cumulative: The rights or remedies of the Holder as provided in this Note and any instrument securing payment of this Note shall be cumulative and concurrent and may be pursued at the sole discretion of the Holder singly, successively, or together against Borrower. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or the right to exercise them at any later time.

Forbearance: Any forbearance of the Holder in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by the Holder of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of the Holder's right to require prompt payment when due of all other sums payable hereunder.

Application of Payments: All payments made on this Note shall be applied first to payment of accrued but unpaid interest and the remainder of all such payments shall be applied to the reduction of the outstanding principal balance on this Note.

Usury: In the event the interest provisions hereof, any exactions provided for herein or in the Security Agreement or any other instrument securing this Note, shall result, in an effective rate of interest which, exceeds the limit of the usury or any other applicable law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied upon the outstanding principal balance of this Note immediately upon receipt of such moneys by the Holder, and any such amount in excess of such outstanding principal balance shall be immediately returned to Borrower.

Jurisdiction: This Note is to be governed according to the laws of the State of Colorado, without giving effect to conflict of law principles.

Binding Effect: This Note shall be binding upon Borrower, and its successors and assigns and shall inure to the benefit of the Holder and its successors and assigns.

Notice: All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Security Agreement for the giving of notices.

Attorneys' Fees: Borrower further promises to pay all reasonable attorneys' fees incurred by the Holder in connection with any Default hereunder and in any proceeding brought to enforce any of the provisions of this Note.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note effective as of the day and year first above written.

BORROWER:

ARETE INDUSTRIES, INC.

By: /s/ Nicholas Scheidt

Name: Nicholas Scheidt

Title: CEO

UNSECURED PROMISSORY NOTE

\$792,151

Westminster, Colorado
January 1, 2014

For value received, the undersigned, Arete Industries, Inc. ("Debtor"), of 7260 Osceola Street, Westminster, CO 80030, hereby promises to pay to the order DNR Oil & Gas, Inc. (DNR), 12741 East Caley, Suite 142, Centennial, Colorado 80111 on or before the 1st day of January 2019 ("Maturity Date"), the principal sum of Seven Hundred Two Thousand One Hundred Fifty One (\$792,151) Dollars, with interest accrued as follows: For the years 2014 and 2015 a rate of 2.5%, 2016 a rate of 4%, 2017 a rate of 6%, and 2018 a rate of 8%.

Principal and Interest: This Promissory Note ("Note") shall be paid as follows: 1 payment of principal and interest in 2016 of \$250,000, 1 payment of principal and interest in 2017 of \$250,000, 1 payment of principal and interest in 2018 of \$250,000, and the balance of principal and interest due on January 1, 2019.

Payments of both principal and interest are to be made in lawful money of the United States of America in immediately available funds.

Prepayment: Debtor shall have the privilege of prepaying without penalty all or any part of this Note, at any time, that includes the full interest payment.

Default and Acceleration: Upon the occurrence of a Default as defined in the Security Agreement, at the option of the Holder hereof, (i) the entire outstanding principal balance and all accrued but unpaid interest shall become immediately due and payable upon written notice to Borrower, (ii) the Holder may fully enforce its rights in the Collateral, if given, to secure the payment of this Note, and (iii) the Holder may pursue all other rights and remedies available under this Note, any instrument securing payment of this Note, or by law.

Default Rate of Interest: Upon the occurrence of a Default, Borrower promises to pay interest on the outstanding principal balance of this Note at a simple rate of interest equal to eighteen percent (18%) per annum, ("Default Rate").

Early Discharge: Upon full payment of the outstanding principal balance and all accrued but unpaid interest, this Note shall be fully discharged, cancelled and surrendered to Borrower.

Remedies Cumulative: The rights or remedies of the Holder as provided in this Note and any instrument securing payment of this Note shall be cumulative and concurrent and may be pursued at the sole discretion of the Holder singly, successively, or together against Borrower. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or the right to exercise them at any later time.

Forbearance: Any forbearance of the Holder in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by the Holder of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of the Holder's right to require prompt payment when due of all other sums payable hereunder.

Application of Payments: All payments made on this Note shall be applied first to payment of accrued but unpaid interest and the remainder of all such payments shall be applied to the reduction of the outstanding principal balance on this Note.

Usury: In the event the interest provisions hereof, any exactions provided for herein or in the Security Agreement or any other instrument securing this Note, shall result, in an effective rate of interest which, exceeds the limit of the usury or any other applicable law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied upon the outstanding principal balance of this Note immediately upon receipt of such moneys by the Holder, and any such amount in excess of such outstanding principal balance shall be immediately returned to Borrower.

Jurisdiction: This Note is to be governed according to the laws of the State of Colorado, without giving effect to conflict of law principles.

Binding Effect: This Note shall be binding upon Borrower, and its successors and assigns and shall inure to the benefit of the Holder and its successors and assigns.

Notice: All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Security Agreement for the giving of notices.

Attorneys' Fees: Borrower further promises to pay all reasonable attorneys' fees incurred by the Holder in connection with any Default hereunder and in any proceeding brought to enforce any of the provisions of this Note.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note effective as of the day and year first above written.

BORROWER:

ARETE INDUSTRIES, INC.

By: /s/ Nicholas Scheidt

Name: Nicholas Scheidt

Title: CEO

Promissory Note Extension Agreement

January 27, 2014

This Promissory Note Extension Agreement, hereinafter referred to as "Extension Agreement," is entered into as of the date above written, by and between Burlingame Equity Investors II, LP (hereinafter called "Lender") and Arête Industries Inc. (hereinafter called "Borrower").

WHEREAS, Lender and Borrower have entered into a Promissory Note dated June 28, 2013, in the original principal amount of \$48,000, hereinafter referred to as the "Note". The Note was originally due July 23, 2014.

WHEREAS, the principal balance of the Note immediately prior to this Extension Agreement is \$44,000; and

WHEREAS, Lender and Borrower desire to enter into this Extension Agreement in order to extend the due date of the Note to January 27, 2015;

NOW, THEREFORE, in consideration (the "Payment") of the amount of \$17,511 to be credited to the Note as described in paragraph 3 below, Lender and Borrower hereby agree as follows:

1. The maturity date of the Note is extended to January 27, 2015 (the "Extended Maturity Date").
2. The Payment shall be applied to the Note as follows:

Principal Reduction: \$17,511

Interest payment thru January 31, 2014: \$ 120

3. Upon applying the principal reduction set forth above, Lender and Borrower agree that the remaining principal balance on the Note equals \$26,489. In addition, quarterly interest payments at the rate stated in the Note shall be paid on September 23, 2014 and December 27, 2014, with any further accrued and unpaid interest to be paid in full on the Extended Maturity Date.

4. All other terms and conditions of the Note remain unchanged and in effect.

IN WITNESS WHEREOF, the parties have executed and agreed to this Agreement as of the date first set forth above.

Burlingame Equity Investors II, LP (Lender)
Burlingame Asset Management, LLC as General Partner

By: /s/ Blair Sanford
Blair Sanford, Managing Member

Arête Industries Inc. (Borrower)

By: /s/ Nicholas L. Scheidt
Nicholas L. Scheidt
Chief Executive Officer

Promissory Note Extension Agreement

January 27, 2014

This Promissory Note Extension Agreement, hereinafter referred to as "Extension Agreement," is entered into as of the date above written, by and between Burlingame Equity Investors Master Fund LP, (hereinafter called "Lender") and Arête Industries Inc. (hereinafter called "Borrower").

WHEREAS, Lender and Borrower have entered into a Promissory Note dated June 28, 2013, in the original principal amount of \$552,000, hereinafter referred to as the "Note". The Note was originally due July 23, 2014.

WHEREAS, the principal balance of the Note immediately prior to this Extension Agreement is \$506,000; and

WHEREAS, Lender and Borrower desire to enter into this Extension Agreement in order to extend the due date of the Note to January 27, 2015;

NOW, THEREFORE, in consideration (the "Payment") of the amount of \$232,489.00 to be credited to the Note as described in paragraph 3 below, Lender and Borrower hereby agree as follows:

1. The maturity date of the Note is extended to January 27, 2015.
2. The Payment shall be applied to the Note as follows:
Principal Reduction: \$232,489
Interest payment thru January 31, 2014: \$ 1,583
3. Upon applying the principal reduction set forth above, Lender and Borrower agree that the remaining principal balance on the Note equals \$273,511. In addition, quarterly interest payments at the rate stated in the Note shall be paid on September 23, 2014 and December 27, 2014, with any further accrued and unpaid interest to be paid in full on the Extended Maturity Date.
4. All other terms and conditions of the Note remain unchanged and in effect.

IN **WITNESS WHEREOF**, the parties have executed and agreed to this Agreement as of the date first set forth above.

Burlingame Equity Investors Master Fund, LP (Lender)
Burlingame Asset Management, LLC as General Partner

By: /s/ Blair Sanford
Blair Sanford, Managing Member

Arête Industries Inc. (Borrower)

By: /s/ Nicholas L. Scheidt
Nicholas L. Scheidt
Chief Executive Officer

Press Release**Arête Industries, Inc. Announces Bank Line of Credit and Refinancing of Existing Debt**

Monday, February 3, 2014

WESTMINSTER, Colorado, February 3, 2014 (Market Wired) Arête Industries, Inc. (OTC-QB: ARET) today announced it signed a line of credit with a bank and renegotiated the existing advances and amounts due to the related parties. In addition, we extended the due date for the existing debt to Burlingame Equity Investors II, LP and Burlingame Equity Investors Master Fund, LP.

Bank Line of Credit

On January 28, 2014, we entered into a line of credit loan agreement for \$1,500,000 due January 15, 2015. The terms of the note are as follows: 1) the accrued interest is payable monthly starting February 28, 2014, 2) the interest rate is variable based on an index equal to a prime rate as published by the Wall Street Journal index (currently 3.25%) plus 1%, subject to a minimum rate of 6.5%, the note has draw provisions, with the first draw of \$479,701.39, 4) the note is secured by seven wells and leases owned by the Company, a certificate of deposit for \$500,000 at CityWide Bank pledged by a third party, and 5) the personal guarantee of the Nicholas Scheidt, Chief Executive Officer.

Related Party Notes Payable

On January 1, 2014, we memorialized our short-term liabilities into formal promissory notes. These certain outstanding advances and other notes payable are now included in single promissory notes, all have been previously reported in our financial statements. The notes are to Donald W. Prosser CFO & Director (\$28,500), Charles B. Davis COO & Director (\$66,500), and William Stewart Director (\$49,500). The total \$144,500 has an interest rate of 7% amortized over 60 months and due January 1, 2019.

In addition, we also issued an unsecured promissory note in the amount of \$792,151 on January 1, 2014 to DNR Oil & Gas, Inc. ("DNR") to consolidate short term debt owed to DNR. DNR is a company controlled by one of our directors, Charles B. Davis. The DNR note accrues interest at the rate of 2.50% for the calendar years 2014 and 2015, 4.00% for the calendar year 2016, 6.00% for the calendar year 2017 and 8.00% for the remainder of the term of the DNR note. The DNR note matures on January 1, 2019. The DNR note requires payments as follows:

- One payment of \$250,000 in 2016;
- One payment of \$250,000 in 2017;
- One payment of \$250,000 in 2018; and
- The balance of principal and accrued interest on or before January 1, 2019.

All of the related party debt is subordinated to the bank line of credit listed above.

Extension of Existing Promissory Notes

In June 2013, in connection with the conversions of Series A1 Preferred Stock by Burlingame Equity Investors II, LP and Burlingame Equity Investors Master Fund, LP, the Company issued unsecured promissory notes in the original principal amounts of \$48,000 and \$552,000, respectively, with interest at 7% per annum payable quarterly and all unpaid interest and principal due on July 23, 2014. In connection with our new line of credit, we have agreed with the holders of these two existing notes to make a partial prepayment on the principal balance of the Notes in exchange for an extension of the maturity date to January 27, 2015. The balances due after the extension are \$26,489 to Burlingame Equity Investors II, LP. and \$273,511 to Burlingame Equity Investors Master Fund, LP.

The effect of the refinancing is to move approximately \$1,200,000 from short term debt to long term debt on the balance sheet.

Make sure you are first to receive timely information on Arête Industries when it hits the newswire. Sign up for Arête's email news alert system today at: <http://www.areteindustries.com/alerts>

About Arête Industries

The Company owns non-operated oil and gas properties in the Rocky Mountain Region of the United States. For additional information on the Company visit our website at: <http://www.areteindustries.com>

Statement as to Forward Looking Statements.

Certain statements contained herein, which are not historical, are forward-looking statements that are subject to risks and uncertainties not known or disclosed herein that could cause actual results to differ materially from those expressed herein. These statements may include projections and other "forward-looking statements" within the meaning of the federal securities laws. Any such projections or statements reflect Arête's current views about future events and financial performance. No assurances can be given that such events or performance will occur as projected and actual results may differ materially from those projected. Important factors that could cause the actual results to differ materially from those projected include, without limitation, the Company's dependence on its management, the Company's significant lack of capital, changes in prices for crude oil and natural gas, the ability of management to execute plans to meet the Company's goals and other risks inherent in the Company's business that are detailed in the Company's Securities and Exchange Commission ("SEC") filings. Readers are encouraged to review these risks in the Company's SEC filings.

For Further Information Contact:

Nicholas Scheidt, CEO
Donald W Prosser, CFO
303-427-8688
info@areteindustries.com
Source: Arête Industries, Inc.