Form 49
[Rule 13.19]

COURT FILE NO.	1601-06131	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANT	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED**	
DOCUMENT	**AFFIDAVIT OF MERLE JOHNSON (STAY EXTENSION, ROYALTY AGREEMENT & INTERIM FINANCING REPAYMENT)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** Suite 1250, Millennium Tower 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver Tel: 403-351-2920 Fax: 403-648-1151 skukulowicz@casselsbrock.com rjacobs@casselsbrock.com joliver@casselsbrock.com	

CLERK OF THE COURT
FILED
JAN 22 2018
JUDICIAL CENTRE
OF CALGARY

AFFIDAVIT OF MERLE JOHNSON
Sworn on January 22, 2018

I, Merle Johnson, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Chief Executive Officer of Connacher Oil and Gas Limited ("**Connacher**"). As such I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. I make this Affidavit in support of an application by Connacher for:

(a) an order substantially in the form attached as Schedule "A" to Connacher's Application (the "**Stay Extension Order**") extending the stay of proceedings established by the Initial Order granted by the Honourable Madam Justice Dario on May 17, 2016 (the "**Initial Order**") through and including June 29, 2018; and

(b) a further order substantially in the form attached as Schedule "B" to Connacher's Application (the "**Royalty Approval and Vesting Order**"):

(i) approving and authorizing Connacher to enter into the royalty agreement (the "**BEH Royalty Agreement**") between Connacher and Burgess Energy Holdings, L.L.C. ("**BEH**"), including the grant by Connacher in favour of BEH of the Royalty (as defined in the BEH Royalty Agreement) in accordance with the terms thereof and vesting all of Connacher's right, title and interest in and to the Royalty in BEH;

(ii) approving and authorizing the grant of the Lien (as defined in the BEH Royalty Agreement) by Connacher to BEH;

(iii) sealing **Confidential Exhibit "1"** to this Affidavit containing an unredacted version of the BEH Royalty Agreement on the Court file; and

(iv) authorizing and directing Connacher to forthwith pay to the Interim Financing Agent (as defined in the Initial Order) from the Consideration (as defined in the BEH Royalty Agreement) to be received by Connacher under the BEH Royalty Agreement in such amount as agreed to among Connacher, the Monitor and the Interim Financing Agent (as defined in the Initial Order) or as determined by further order of this Honourable Court to satisfy, in full, all of the obligations (including the outstanding principal, accrued interest and all fees) owing by Connacher under the Interim Financing Credit Facility (as defined in the Initial Order).

3. Where I use capitalized terms in this Affidavit, but do not define them, I intend them to have the meaning given to them in the Initial Order or in the BEH Royalty Agreement. All references to dollar amounts contained herein are to Canadian dollars unless otherwise stated.

I. CONNACHER'S CCAA PROCEEDING

4. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted the Initial Order which provided for, among other things, a stay of proceedings up to and including June 16, 2016 pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**") in favour of Connacher, which has most recently been extended by this Honourable Court to January 31, 2018 (the "**Stay Period**").

5. Pursuant to the terms of the Initial Order, Ernst & Young Inc. (the "**Monitor**") was appointed as monitor in this CCAA proceeding.

6. As detailed in my prior filed affidavits, Connacher continues to operate in the ordinary course of business (subject to the terms of the Initial Order and the Interim Financing Credit Agreement) while it proceeds with its restructuring efforts.

7. Working with the Monitor and the Interim Lenders (and with the approval of this Honourable Court as applicable), since its CCAA filing, Connacher has pursued and implemented a number of business and cash flow optimization strategies, including amendments to the Interim Financing Credit Facility to allow greater flexibility to enter into hedging agreements and other long-term contracts, disposing of redundant seismic

data, and entering into certain credit facilities with Alberta Treasury Branches to address certain of Connacher's financial and operational needs.

8. With the assistance of the Monitor, Connacher has also been evaluating potential restructuring and exit strategies in order to maximize value for stakeholders.

9. With these objectives in mind, Connacher is now seeking (i) an extension of the CCAA Stay Period in order to appropriately develop and pursue a renewed sale and investment solicitation process (the "**SISP**") and (ii) approval of the BEH Royalty Agreement which will provide Connacher with the funds necessary to repay the Interim Financing Credit Facility in full (without depleting Connacher's cash) and provide additional and sufficient capital for the business to assist in facilitating a successful exit from CCAA protection in 2018.

II. EXTENSION OF THE STAY PERIOD

10. Connacher is seeking an extension of the Stay Period through and including June 29, 2018.

11. Working with the Monitor, Connacher has engaged in detailed preliminary discussions with its key lenders on the terms of a renewed SISP to be conducted by Connacher (subject to further approval by this Honourable Court) that would be back-stopped by a stalking horse credit-bid from its first lien lenders.

12. Once the terms of that proposed sale process (and the associated first lien lender stalking horse agreement) are settled, Connacher intends to seek further approval from this Honourable Court. Connacher is in the process of finalizing the retention of a financial advisor who will assist Connacher and the Monitor in developing and (if approved by this Honourable Court) implementing the SISP, and Connacher anticipates seeking Court approval of the retention of the financial advisor in the near term as is necessary.

13. Connacher is therefore seeking an extension of the Stay Period to allow it to complete those discussions and negotiations and (if approved by the Court) provide sufficient time to run and complete the SISP. Connacher believes that an extension of the Stay Period to June 29, 2018 is necessary to accomplish these objectives and in the best interests of Connacher and its stakeholders.

14. Based on Connacher's current cash on hand and cash flow projections, Connacher will have sufficient liquidity through the proposed extension of the Stay Period. An updated cash flow projection for the period covering the proposed extension of the Stay Period will be attached to the Thirteenth Report of the Monitor.

15. I believe that Connacher has been acting in good faith and with due diligence in these proceedings and I believe it is in the best interests of Connacher and its stakeholders that the Stay Period be extended to June 29, 2018.

16. Each of the Monitor, the Interim Financing Agent and the First Lien Agent support an extension of the Stay Period to June 29, 2018.

III. THE BEH ROYALTY AGREEMENT

17. As part of examining all of the restructuring and exit options available to Connacher, based on discussions with, and feedback from the Interim Lenders, Connacher examined and evaluated various options to raise additional capital, including by means of a royalty transaction.

18. In that regard, Connacher retained an internal consultant that was experienced and familiar with royalty transactions to assist with evaluating potential transaction options and engaging in discussions with potential royalty counterparties.

19. In order to determine whether parties may be interested in pursuing a royalty transaction with Connacher, in the fall of 2017 Connacher and its internal consultant contacted BEH, along with other parties that are active in the oil and gas royalty market. BEH was known to Connacher and its consultant given that BEH had previously completed three variable rate royalty transactions with Athabasca Oil Corporation on terms similar to the terms of the BEH Royalty Agreement.

20. Given Connacher's ongoing CCAA proceeding, most of the parties contacted were not interested in pursuing a transaction at this time. Given the very limited number of parties that would pursue a royalty transaction of this nature, I do not believe that a formal process would have elicited additional opportunities for Connacher.

21. On or about September 28, 2017, BEH executed a confidentiality agreement with Connacher and began due diligence on Connacher and ultimately presented a proposal to Connacher on or about November 17, 2017. Thereafter, in consultation with the Interim Lenders, the Monitor and the Special Committee of the Board of Connacher, Connacher negotiated the indicative terms of a transaction with BEH which were reflected in an indicative term sheet signed on December 18, 2017, subject to, among other things, completion of due diligence, definitive documentation and Court approval.

22. Following execution of the term sheet, in consultation with the Interim Lenders, the Monitor and the Special Committee of the Board of Connacher, Connacher and BEH negotiated and settled the definitive BEH Royalty Agreement which is attached hereto in redacted form at **Exhibit "A"** along with the related schedules.

23. Pursuant to the BEH Royalty Agreement, and subject to the terms thereof, in consideration for the payment by BEH to Connacher of the Consideration, Connacher will grant BEH the Royalty.

24. An unredacted copy of the BEH Royalty Agreement, which is the subject of Connacher's request for a sealing order (discussed below), is attached as **Confidential Exhibit "1"** to this Affidavit.

25. The material business terms of the BEH Royalty Agreement are as follows (all terms and phrases having the meaning given to them in the BEH Royalty Agreement):

    (a) Royalty: the Royalty is a gross overriding royalty, in that it will apply to the gross production of Bitumen produced from the Royalty Lands, and (other than certain Permitted Charges) the Royalty Share of Bitumen and the Royalty Share of Bitumen Equivalent shall be free of any deductions, including for any Crown, lessor or other royalty allocation or obligation or any other encumbrance in respect of the Royalty Lands;

    (b) Sliding Scale Royalty Rate: The Royalty for a given month will be calculated and determined based on a sliding scale percentage rate dependant on the Benchmark Reference Price. In summary only and as more particularly defined in the BEH Royalty Agreement (including Schedule "B" thereto): for Connacher's Producing Royalty Lands, the Sliding Scale Royalty Rate is 2.50% + (0.156% x (Benchmark Reference Price – 60)), subject to an ultimate cap at 15% if the Benchmark Reference Price is equal to or greater than US$140. Therefore, under this Sliding Scale Royalty Rate, until the Benchmark Reference Rate reaches US$60, the Royalty is zero;[1]

(c) Interest in Land: The Royalty shall be an interest in land and shall run with the Royalty Lands;

(d) Free and Clear: Connacher agrees to keep the Royalty Lands free and clear of any and all liens and encumbrances (other than Permitted Encumbrances), which include encumbrances granted in connection with Connacher's CCAA proceeding and the Lender Security. In that regard, BEH requires that Connacher use its best efforts to obtain from such security holders a written acknowledgment (a "**No Interest Letter**") to BEH acknowledging, among other things, that the security holder has no interest in or to the Royalty Share of Bitumen to which BEH is entitled, and the security holder will not seek or support any restructuring plan that purports to eliminate or modify the Royalty or the BEH Royalty Agreement without the express written consent of BEH. In the event that Connacher is not able to obtain a No Interest Letter from all security holders, BEH will rely upon the Royalty Approval and Vesting Order, which must be in form and substance acceptable to BEH. In that regard, Connacher will serve its Application on all parties that have a security interest (including the beneficiaries of the court-ordered charges) in the Royalty Lands;

(e) Election Rights: BEH is granted the following election rights:

   (i) Right to take the Royalty Share of Bitumen in-kind, causing Connacher to deliver the Dilbit containing the Royalty Share of Bitumen to BEH at the Point of Sale, free and clear of any and all charges or deductions other than the Permitted Charges;

   (ii) Right to cause Connacher, as agent for and on behalf of BEH, to take possession of the Royalty Share of Bitumen and sell the same free and clear of any and all charges or deductions other than the Permitted Charges; and

   (iii) Right to receive an equivalency payment in respect of its Royalty Share of Bitumen in an amount equal to (a) the aggregate volume of Dilbit containing the Royalty Share of Bitumen for a month; multiplied by (b) the Dilbit Equivalency Price for that month, free and clear of all charges or deductions other than the Permitted Charges.

(f) Infrastructure Participation Option: BEH shall have the right to participate for up to a maximum of 15% of Connacher's aggregate participating interest in the development or acquisition, and the corresponding ownership, of any and all pipeline and storage infrastructure projects proposed or acquired by Connacher on, or in relation to, the Royalty Lands, in respect of the transport of Dilbit from the royalty determination point to the Point of Sale and the storage of Bitumen produced from the Royalty Lands or Dilbit containing such Bitumen, as applicable;

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[1] The Sliding Scale Royalty Rate applicable to Non-Producing Royalty Lands is the same base calculations rates, except that the staring threshold is US$70 and the cap threshold is US$150.

(g) Lien: The Royalty is to be secured by the Lien on Connacher's working interest in the Royalty Lands, the Bitumen within, upon or under the Royalty Lands, or produced therefrom, and the wells and other tangible equipment thereon;

(h) Default Rights: If Connacher defaults on its obligations to BEH, BEH may enforce the Lien, including by (i) set-off, (ii) treating the default as an immediate and automatic assignment to BEH of the proceeds of the sale of Connacher's share of production from the Royalty Lands, (iii) maintaining actions for the unpaid amounts and interest thereon, and (iv) taking possession of and selling all or any part of Connacher's working interest in the Royalty Lands, the Bitumen within, upon or under the Royalty Lands, or produced therefrom, and the wells and other tangible equipment thereon;

(i) Default Interest: If at any time Connacher fails to pay the Royalty to BEH, BEH will be entitled to charge Connacher: (i) interest at a rate equal to the prime rate from the day such payment was due until the day upon which the payment default was discovered, provided that if the payment default was due to Connacher's negligence then BEH will charge Connacher interest at a rate 4% over the prime rate; and (ii) interest at a rate of 4% over the prime rate from the day upon which the payment default was discovered until the day upon which the payment is made, provided in each case that if the payment default is in relation to a deliberate, unexcused breach by Connacher, then BEH will charge interest at a rate of 15% over the prime rate from the day such payment was due until the day upon which such payment is paid.

26. The closing of the transaction contemplated by the BEH Royalty Agreement is conditional upon certain conditions precedent, including the receipt of the Royalty Approval and Vesting Order in a form satisfactory to BEH;

IV. THE BEH ROYALTY AGREEMENT IS APPROPRIATE IN THE CIRCUMSTANCES

27. I believe that that the BEH Royalty Agreement will be of significant value to Connacher's business and operations and that approval of the BEH Royalty Agreement is in the best interests of Connacher and its stakeholders for the following reasons:

(a) The Consideration to be paid to Connacher by BEH is fully payable upon execution and closing of the BEH Royalty Agreement and will provide Connacher with additional working capital for the business going forward and/or to assist in facilitating Connacher's exit from CCAA proceedings, and it will also allow Connacher to fully repay the Interim Financing Credit Facility (as discussed further below);

(b) Pursuant to the Sliding Scale Royalty Rate set out in the BEH Royalty Agreement, the Royalty is not payable until the Benchmark Reference Price reaches US$60 for Connacher's Producing Royalty Lands (or US$70 for Non-Producing Royalty Lands). For reference purposes, at current market rates, the Benchmark Reference Price is approximately US$42.00 and, based on current strip pricing, is not forecasted that the Benchmark Reference Price will exceed US$60 for at least the next 2-3 years. Therefore, the Sliding Scale Royalty Rate structure of the Royalty means that, at current commodity rates, Connacher does not have any current royalty payment obligations under the BEH Royalty Agreement and therefore has full access to the existing cash flow from its production.

(c) I believe that the Consideration to be received under the BEH Royalty Agreement is reasonable and fair taking into account the value of the Royalty to be granted and is beneficial to Connacher's creditors and other stakeholders.

(d) The BEH Royalty Agreement was negotiated in consultation with – and is supported by – each of the Monitor, the Interim Lenders, the Interim Financing Agent and the First Lien Agent.

28. BEH is not related to Connacher in any manner.

V. REPAYMENT OF THE INTERIM FINANCING

29. As noted above, in connection with the approval of the BEH Royalty Agreement, Connacher is also seeking this Honourable Court's authorization and direction (substantially in the form of the Royalty Approval and Vesting Order) to forthwith pay to the Interim Financing Agent from the Consideration such amount as agreed to among Connacher, the Monitor and the Interim Financing Agent or as determined by further order of this Honourable Court to satisfy in full all of the obligations (including the outstanding principal, accrued interest and all fees) owing by Connacher under the Interim Financing Credit Facility.

30. Concurrent with the repayment of the Interim Financing Credit Facility, which is expected to occur on or before January 31, 2018, the Interim Financing Credit Agreement will be terminated and Connacher is requesting that this Court order that the Interim Lenders' Charge (as defined in the Initial Order of this Court made on May 17, 2016) be released and discharged at that time.

31. The Interim Financing Credit Agreement is currently set to mature on January 31, 2018. Connacher and the Interim Lenders have agreed, in the event that the repayment of the Interim Financing Credit Facility does not occur prior to the existing maturity date as currently contemplated, to extend the maturity date to February 28, 2018.

32. I believe that repaying the Interim Financing Credit Facility from the Consideration and the termination of the Interim Financing Credit Agreement at this time are in the best interest of Connacher and its stakeholders and should be approved by this Honourable Court, for the following reasons:

(a) repayment of the Interim Financing Credit Facility will cease the continuing interest accrual on the Interim Financing Credit Facility by Connacher;

(b) repayment of the Interim Financing Credit Facility and termination of the Interim Financing Credit Agreement will alleviate the ongoing administrative burden and cost of various financial and other reporting required of Connacher under the terms of the Interim Financial Credit Agreement;

(c) repayment of the Interim Financing Credit Facility and termination of the Interim Financing Credit Agreement will remove other business and operational restrictions and prohibitions placed on Connacher under the terms of the Interim Financing Credit Agreement; and

(d) Connacher's agreement to repay the Interim Financing Credit Facility was a condition of the Interim Lenders' support for the BEH Royalty Agreement.

33. The current principal amount outstanding under the Interim Financing Credit Facility is US$16,521,164. The exact amount of the Interim Financing Credit Facility to be repaid (including the outstanding principal, accrued interest and all fees) will be settled among

Connacher, the Monitor and the Interim Financing Agent or, if such agreement cannot be reached (which is not anticipated), then as determined by further order of this Honourable Court.

34. Connacher currently has sufficient cash on-hand to fully repay the Interim Financing Credit Facility. However, repayment of the Interim Financing Credit Facility from the Consideration to be received under the BEH Royalty Agreement will ensure that Connacher does not deplete its existing cash resources to do so.

35. Based on Connacher's cash flow projections, Connacher will have sufficient liquidity (after repayment of the Interim Financing Credit Facility) through to at least the proposed expiry of the Stay Period (being June 29, 2018) and Connacher does not forecast or anticipate any need for interim financing during that period.

36. The requested provisions of the Royalty Approval and Vesting Order addressing the repayment of the Interim Financing Credit Facility have been negotiated by Connacher and its advisors with the Monitor, BEH and the Interim Lenders/Interim Financing Agent and their respective advisors and, I have been advised, is in a form acceptable to those parties.

VI. SEALING ORDER REQUESTED

37. In its Application, Connacher is also seeking a sealing of the unredacted copy of the BEH Royalty Agreement (contained at Confidential Exhibit "1" to this Affidavit.

38. Exhibit "A" to this Affidavit contains a copy of the BEH Royalty Agreement with certain information redacted, including (i) the quantum of the Consideration, (ii) certain personal information of BEH, and (iii) certain commercially sensitive information contained in the schedules to the BEH Royalty Agreement, which is contained in the unredacted copy of the BEH Royalty Agreement contained at Confidential Exhibit "1" to this Affidavit.

39. BEH has advised Connacher that such information is sensitive commercial information, the disclosure of which would be harmful to BEH's commercial interests. BEH therefore requires that Connacher seek a sealing order in respect of the unredacted copy of the BEH Royalty Agreement.

40. I also believe that the quantum of the Consideration and the detailed information contained in the schedules to the BEH Royalty Agreement is sensitive commercial information for Connacher, the disclosure of which would be harmful to Connacher's commercial interests.

41. I further believe that the sealing of the unredacted version of the BEH Royalty Agreement will not cause any prejudice to any parties, including any of Connacher's creditors or stakeholders.

SWORN before me at the City of Calgary, in the Province of Alberta, on January 22, 2018

R Comstock

Commissioner for Oaths/Notary Public in and for the Province of Alberta
Richard Evert Comstock
My commission expires on September 21, 2018

MERLE JOHNSON

EXHIBIT A

This is Exhibit "A"
referred to in the affidavit of
Merle Johnson
sworn before me this 22
day of January, 20 18.

R Comstock

A Commissioner for Oaths in and for Alberta
Richard Evert Comstock
My commission expires
September 21, 2018

EXECUTION COPY

ROYALTY AGREEMENT
(ALBERTA ASSETS)

between

CONNACHER OIL AND GAS LIMITED

and

BURGESS ENERGY HOLDINGS, L.L.C.

Dated January 29, 2018

SCHEDULES:

ROYALTY AGREEMENT
(ALBERTA ASSETS)

THIS AGREEMENT is made on the 29th day of January, 2018,

BETWEEN:

CONNACHER OIL AND GAS LIMITED, a corporation existing under the laws of Alberta (the "**Grantor**")

- and -

BURGESS ENERGY HOLDINGS, L.L.C., a limited liability company existing under the laws of Delaware (the "**Royalty Owner**")

WHEREAS:

A. On the date hereof: (i) the Court Order: (A) has been entered by the Alberta Court of Queen's Bench; (B) is in full force and effect; and (C) has not been appealed, stayed or overturned; (ii) the Royalty Owner has agreed to pay to the Grantor the Consideration; and (iii) in exchange for the Consideration, the Grantor has agreed to grant the Royalty to the Royalty Owner, such Royalty comprising an interest in and to the Royalty Lands and the Bitumen within, upon or under the Royalty Lands.

B. The Parties desire to provide that from and after the date hereof, the Royalty Lands and the Bitumen contained therein and produced therefrom shall be held subject to, and the Royalty shall be governed by, the terms and provisions of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that the Parties hereto agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

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

(a) "**Affiliate**" means with respect to a Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control of such Person where, for the purposes of this definition only, "control", "controlling" or "controlled" means the possession, direct or indirect, of the power to direct the management and policies of such other Person, whether through the ownership of voting securities or by contract, partnership agreement, trust arrangement or other means.

(b) "**Agreement**" means this gross overriding royalty agreement, together with the recitals and the Schedules attached hereto and made a part hereof.

(c) "**Applicable Law**" means in relation to any Person, property or circumstance:

(i) all laws and statutes, including regulations, rules, bylaws, ordinances and other statutory instruments enacted thereunder;

(ii) all judgments, decrees, rulings or orders of courts, tribunals, commissions and other similar bodies of competent jurisdiction; and

(iii) all orders, rules, directives, policies and guidelines having force of law issued by any Governmental Authority,

that are in effect as of the relevant time and are applicable to the Royalty Lands, the Parties or the transactions contemplated herein.

(d) "**Batch Delivery Basis**" means the delivery to a Point of Sale of the volume of Dilbit that includes the Royalty Share of Bitumen produced from the Royalty Lands that is, pursuant to and in accordance with industry practice and the requirements of the operator at the Point of Sale, equal to or greater than the minimum volume of Dilbit that can be transferred at the Point of Sale.

(e) "**Benchmark Reference Grade**" means the prevailing reference grade for buyers and sellers of the type of Dilbit that includes Bitumen produced from the Royalty Lands as quoted at the Edmonton hub or Hardisty hub, as applicable, or such other place as the Parties may agree; which prevailing reference grade, as at the date hereof, is Western Canadian Select (WCS) at Hardisty.

(f) "**Benchmark Reference Price**" means, for the Benchmark Reference Grade, the prevailing reference price most commonly quoted and used by traders in North America (converted to a Monthly average price and expressed as US$/bbl); which, as at the date hereof, is determined as the sum of (i) the monthly average daily settlement prices (expressed as US$/bbl) for prompt month NYMEX Light Sweet Crude for the applicable Month; and (ii) the final price at which the prompt month futures contract for the Canadian Heavy Crude Oil Index (Net Energy), as quoted by the CME Group in US$/bbl, is actually settled for such applicable Month; and provided further that, for greater certainty, the current Bloomberg Ticker for prompt month NYMEX Light Sweet Crude is CL1 Comdty and the current Bloomberg Ticker for the CME Group contract on the Canadian Heavy Crude Oil Index (Net Energy) is WCC "X" "Y" Index where “X” is the respective Month code and “Y” is the respective year code.

(g) "**Bitumen**" means

(i) sands and other rock materials containing Crude Bitumen;

(ii) the Crude Bitumen contained in those sands and other rock materials;

(iii) any other mineral substances, other than natural gas, in association with that Crude Bitumen or the sands and other rock materials referred to in paragraphs (i) and (ii); and

(iv) any other petroleum substances, other than natural gas, to the extent rights or interests to such substances are granted by any of the Title and Operating Documents,

and includes any hydrocarbon substance declared to be oil sands under section 7(2) of the *Oil Sands Conservation Act* (Alberta).

(h) "**Business Day**" means any day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta and New York, New York, or either of them.

(i) “**CCAA Proceedings**” has the meaning given to that term in Section 1.1(ww)(xiv).

(j) "**Claim**" means any claim, demand, complaint, action, suit, cause of action, order, assessment or reassessment, charge, judgment, proceeding or arbitration in each case, whether asserted, threatened, pending or existing.

(k) "**Confidentiality Agreement**" means the mutual confidentiality agreement dated September 28, 2017 between the Grantor and the Royalty Owner.

(l) "**Consideration**" means [redacted] paid by the Royalty Owner to the Grantor on the date hereof.

(m) "**Court Order**" means an order of the Alberta Court of Queen's Bench with respect to the CCAA Proceedings approving the grant of the Royalty to the Royalty Owner in accordance with the terms of this Agreement and vesting all of the Grantor's right, title and interest in and to the Royalty in the Royalty Owner, in form and substance reasonably acceptable to the Parties and substantially in the form attached hereto as Schedule G.

(n) "**CPF**" means the central processing facilities for the treatment, processing and storage of Bitumen recovered from the Royalty Lands.

(o) "**Crude Bitumen**" means a naturally occurring viscous mixture, mainly of hydrocarbons heavier than pentane, that may contain sulphur compounds and that, in its naturally occurring viscous state, will not flow to a well.

(p) "**Designee**" means the Person designated, from time to time, by the Royalty Owner in accordance with Section 13.4.

(q) "**Development Notice**" has the meaning given to that term in Section 8.2(a).

(r) "**Dilbit**" means Bitumen that has been diluted with Diluent to meet Transportation Specifications or to meet refinery desired heavy crude yields or qualities.

(s) "**Dilbit Equivalency Price**" means the price per barrel of Dilbit calculated pursuant to and in accordance with the Dilbit Equivalency Price Calculation.

(t) "**Dilbit Equivalency Price Calculation**" means the agreed method of calculating "Dilbit Equivalency Price" set out in Schedule C under the heading "Dilbit Equivalency Price Calculation", as further clarified and expressed by the Illustrative Dilbit Equivalency Price Calculation Example.

(u) "**Diluent**" means any hydrocarbon or other substance that, when blended with Bitumen, will result in a reduction in density and viscosity of the resulting blend, including condensate, synthetic crude oil, butane and other hydrocarbons or substances or any combination or mixture thereof.

(v) "**Diluent Costs**" means the aggregate cost of Diluent required to facilitate the transportation of the Royalty Share of Bitumen from the Royalty Determination Point to the Point of Sale, such aggregate costs shall include (without duplication):

(i) the purchase price of such volume of Diluent;

(ii) the reasonable Third Party transportation fees that are actually incurred by the Grantor or any Affiliate thereof to transport such volume of Diluent to the CPF; and

(iii) if, when and to the extent applicable, should the Grantor or any of its Affiliates build its own Diluent pipeline or other Diluent transportation infrastructure, the reasonable transportation fees charged by the Grantor, or any of its Affiliates, to the Royalty Owner, to transport such volume of Diluent to the CPF; provided that, such transportation fees shall be consistent with the prevailing market transportation fees of Third Parties applicable to the transportation of Third Party Diluent that is substantially similar in type, content, mixture and quality to the Diluent used for the dilution of Bitumen that is produced from the Royalty Lands; for greater certainty, unless the Parties otherwise agree, (x) if the Person(s) owning the Diluent pipeline or other Diluent transportation infrastructure are exclusively the Grantor and its Affiliates, or any of them, or (y) if the Grantor and its Affiliates, or any of them, have the power to establish and implement the transportation fees to be charged, then such reasonable fees shall be calculated in accordance with the Joint Industry Task Force Report regarding the JP-05 standard published in October 2005.

(w) "**Diluent Withdrawal Notice**" has the meaning given to that term in Section 3.5(a)(vii).

(x) "**Disclosure Letter**" means that certain letter dated as of the date hereof delivered by the Grantor to the Royalty Owner setting out: (i) the rights of any Affiliates of the Grantor or any Third Party to purchase Bitumen (or Dilbit) produced from the Royalty Lands as of the date of this Agreement that is not terminable, at any time, on Notice of ninety (90) days' or less without an early termination penalty or other cost; and (ii) exceptions to the representations and warranties of the Grantor set forth in Sections 9.1(e), 9.1(f) and 9.1(h).

(y) "**Dispute**" means a dispute, controversy or Claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement or in respect of any legal relationship associated with or derived from this Agreement.

(z) "**Election Notice**" means a Notice provided (or with respect to Section 2.5(f), deemed to have been provided) by the Royalty Owner to the Grantor to elect to: (i) take the Royalty Share of Bitumen in kind pursuant to Section 2.5; (ii) appoint the Grantor as the agent of the Royalty Owner pursuant to Section 2.6(a); or (iii) receive an equivalency payment in respect of the Royalty Share of Bitumen pursuant to Section 2.7(a), in any case, effective as of the Election Notice Effective Time.

(aa) "**Election Notice Effective Time**" means the first (1st) day of the Month next following the expiry of the minimum ninety (90) day notice period, except with respect to: (i) the first Election Notice made under this Agreement, which shall be effective immediately upon the receipt by the Grantor of such Election Notice, such Election Notice to be provided to the Grantor by the Royalty Owner within thirty (30) days of the date of this Agreement; and (ii) an Election Notice deemed to be delivered pursuant to Section 2.5(f), which shall be effective immediately upon delivery by the Grantor of Notice of its election to suspend the Royalty Owner's right to take the Royalty Share of Bitumen in kind pursuant to Section 2.5(f).

(bb) "**Environmental Liabilities**" means any and all Losses and Liabilities arising in connection with or otherwise related to: (i) abandonment and reclamation obligations; (ii) environmental damage; (iii) environmental contamination; or (iv) other environmental problems, in each case, pertaining to the Royalty Lands or that arise in connection with the ownership of the Royalty Lands or operations pertaining thereto, whether any such Losses and Liabilities have arisen prior to, at or after the date hereof.

(cc) "**Existing Lender Security**" means security interests granted by the Grantor to a lender, debentureholder or other Person, in and to, or over, the Royalty Lands to secure the payment and performance of any and all obligations, indebtedness and liability under:

(i) the Credit Agreement dated as of May 23, 2014 among Grantor, as borrower, the lenders party thereto and Wilmington Trust, National Association, successor to Credit Suisse AG, Cayman Islands Branch (as such agreement has been and may be amended, modified and supplemented from time to time, including by the Amendment No. 1 dated May 8, 2015);

(ii) the Interim Revolving Credit Facility Credit Agreement dated as of May 25, 2016 among Grantor, as borrower, the lenders party thereto and Wilmington Trust, National Association (as such agreement has been and may be amended, modified and supplemented from time to time); and

(iii) the Convertible Notes issued to certain participating holders pursuant to an indenture dated May 8, 2015 among the Grantor, as borrower, and Wilmington Trust, National Association, as trustee, having a face value of US$35 million and a maturation date of August 31, 2018, which are secured on a second priority basis.

(dd) "**FX Rate**" means the foreign exchange rate between the U.S. dollar and the Canadian dollar at 12:00 p.m. Eastern Time published by the Bank of Canada each day by 12:45 p.m. Eastern Time; provided however, that should the Bank of Canada publish: (i) exchange rates at different times than noted immediately above, the exchange rate published at the earlier time that day will be used; or (ii) the exchange rate only once per day, that exchange rate will be used.

(ee) "**Governmental Authority**" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal, dispute settlement panel or body or other law, rule or regulation-making party (including self-governing bodies of First Nations, as applicable):

(i) having jurisdiction on behalf of any nation, province, state or other geographic or political subdivision thereof; or

(ii) exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

(ff) "**Grantor**" has the meaning given to that term in the preamble and shall include any of its administrators, trustees, receivers, receiver-managers, successors and permitted assigns.

(gg) "**Handling**" means the treatment, storage, processing and transportation, and other operations and activities related thereto, necessary to process or transfer a commodity, such as Bitumen, to a point of sale.

(hh) "**IFRS**" means the International Financial Reporting Standards adopted by the International Accounting Standards Board as determined by the Chartered Professional Accountants of Canada CPA Canada Handbook (or any successor accounting guidelines or standards) consistently applied throughout the applicable period.

(ii) "**Illustrative Dilbit Equivalency Price Calculation Example**" means the illustrative example, set out in Schedule C under the heading "Illustrative Dilbit Equivalency Price Calculation Example", of the Dilbit Equivalency Price Calculation.

(jj) "**Indemnified Taxes**" has the meaning given to that term in Section 3.5(b)(i).

(kk) "**Leases**" means the Alberta Crown oil sands permits and leases described in Parts I and II of Schedule A (by virtue of which the holder thereof is entitled to drill for, win, take, own or remove Bitumen within, upon or under the Royalty Lands) and includes, if applicable, all Reacquisitions, renewals and extensions of such leases issued in substitution therefor.

(ll) "**Lender Security**" means, as of the date hereof, the Existing Lender Security, and from and after the date hereof, any security interest granted by the Grantor on account of indebtedness for borrowed money (including, for certainty, bankers' acceptances and letters of credit or other similar instruments (including reimbursement obligations in respect thereof)), hedges and other derivative transactions and cash management arrangements, to a lender, debentureholder or other Person, in and to, or over, the Royalty Lands, to secure the payment and performance of any and all obligations, indebtedness and liability to such Person(s).

(mm) "**Lien**" has the meaning given to that term in Section 2.9(a).

(nn) "**Losses and Liabilities**" means, in respect of a Person and in relation to a matter, any and all:

(i) losses, costs, damages, expenses and charges (including all penalties, assessments and fines) which such Person suffers, sustains, pays or incurs in connection with such matter and includes reasonable costs of legal counsel and other professional advisors and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained and includes taxes payable on any settlement payment or damage award in respect of such matter; and

(ii) liabilities and obligations (whether under Applicable Law or otherwise; whether tortious, contractual, vicarious, statutory or otherwise; whether absolute or contingent; and whether based on fault, strict liability or otherwise) which such Person incurs as a result of such matter or in connection therewith,

whether in an action in contract or tort, or for any other reason whatsoever, excluding indirect, special, aggravated, consequential, exemplary or punitive damages (other than to the extent any such damages are awarded to a Third Party or are the reasonably foreseeable result of such matter).

(oo) "**Month**" means a calendar month.

(pp) "**Non-Producing Royalty Lands**" means those lands set out in Part II of Schedule A (Non-Producing Royalty Lands and Related Mineral Title Documents) included in the applicable Leases, and so much of those lands as remain subject to this Agreement and the Title Documents, together with the rights to explore for and recover Bitumen from within, upon or under those lands.

(qq) "**Notice**" has the meaning given to that term in Section 13.3.

(rr) "**Notice of Acceptance**" has the meaning given to that term in Section 8.2(b).

(ss) "**Operating Documents**" means contracts and agreements entered into in the normal course of the oil sands business in connection with the exploitation of the Royalty Lands or the conduct of operations thereon, including joint operating agreements, processing agreements, gathering and transportation agreements, agreements for the sale of Bitumen or Dilbit, agreements relating to the construction, ownership and operation of equipment and facilities and agreements for the transportation of Bitumen or Dilbit.

(tt) "**Party**" means a party to this Agreement.

(uu) "**Payment Default**" has the meaning given to that term in Section 11.1.

(vv) "**Permitted Charges**" means Transportation Fees, Storage Charges and Diluent Costs.

(ww) "**Permitted Encumbrance**" means:

(i) the Royalty;

(ii) the Lien;

(iii) easements, rights of way, servitudes, restrictions or other similar rights in land for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, data or cable television conduits, poles, towers, wires and cables;

(iv) the rights reserved to or vested in any Governmental Authority by the terms of the Title Documents, or any other licence, franchise, grant or permit or by any Applicable Laws, including any rights to require annual or other periodic payments as a condition of the continuance thereof; provided that Grantor and its Affiliates: (A) are in material compliance with the terms of such Title Documents and any other license, franchise, grant, permit or Applicable Law, and (B) have made, as and when due, any such periodic payment;

(v) the right reserved to or vested in any Governmental Authority to levy taxes or impose liens securing the repayment of taxes or assessments or governmental charges not yet due or delinquent on Bitumen produced from the Royalty Lands or the income or revenue attributable thereto;

(vi) any rights reserved to or vested in any Governmental Authority to control or regulate the ownership, use or operation of any of the Royalty Lands in any manner, including governmental requirements imposed by statute or Governmental Authorities as to rates of production from operations or otherwise affecting recoverability of Bitumen;

(vii) the terms and conditions of the Title Documents;

(viii) the terms and conditions of the Operating Documents or any liens imposed by Third Party service providers pursuant to the Operating Documents; provided that, any such term or condition that is a charge, lien, claim, mortgage, hypothecation, deed of trust, pledge, security interest, option, right of use or possession, royalty, right of first offer or first refusal in respect thereof shall: (A) be the sole responsibility of the Grantor hereunder, and (B) have no material adverse effect on the Royalty or the Royalty Share of Bitumen;

(ix) the burdens, encumbrances, royalties, adverse Claims, reduction in, conversion of or alterations of interests and penalties identified in Schedule A;

(x) undetermined or inchoate statutory liens (including processors', operators', mechanics', builders', materialmens' and similar liens) incurred or created by operation of law in the ordinary course of business or as security in favour of the Person conducting the operations on the Royalty Lands to which such liens relate for the Grantor's share of the costs and expenses of such operations which costs and expenses are not due or delinquent;

(xi) the reservations, limitations, provisos and conditions in any original grants or transfers from the Crown of any of the Royalty Lands or interest therein and statutory exceptions to title;

(xii) liens or security granted in the ordinary course of business to a public utility, municipality or Governmental Authority in connection with operations pertaining to the Royalty Lands;

(xiii) the rights of Third Parties to purchase Bitumen (or Dilbit) produced from the Royalty Lands as of the date of this Agreement and, from and after the date hereof, that the Grantor enters into in compliance with the provisions of Section 2.6;

(xiv) any encumbrances on the Grantor’s Working Interest arising as a result of, or granted by the court in connection with, the Grantor’s proceedings under the *Companies’ Creditors Arrangement Act* (the “**CCAA Proceedings**”);

(xv) Lender Security, provided that a written acknowledgement of holder(s) of such security thereof is given to the Royalty Owner that:

(A) such holder(s) have no interest in or to the Royalty Share of Bitumen to which the Royalty Owner is entitled;

(B) should such holder(s) foreclose, or otherwise acquire an interest in the Royalty Lands, then such interest shall be subject to the Royalty and the terms and conditions of this Agreement;

(C) such holder(s) will not seek nor support any Person in seeking (and will not seek or support the appointment of a receiver that seeks) any conveyance of all or any portion of the Royalty Lands free and clear of the Royalty; and

(D) such holder(s) will not seek or support any restructuring plan or proposal or otherwise make or support any Claim that:

(I) purports to eliminate or modify the Royalty or this Agreement without the express written consent of the Royalty Owner;

(II) contests, challenges or brings into question the validity or enforceability of the Royalty as an interest in land, and specifically, in and to the Royalty Lands; or

(III) contests, challenges or brings into question the validity or enforceability of all terms, covenants, and conditions in this Agreement as running with and binding upon the Title and Operating Documents, the Royalty Lands and the estates affected thereby for the life of any of the Title and Operating Documents, subject to the terms and conditions of this Agreement; and

(xvi) Existing Lender Security for which the Grantor has not been able to obtain a written acknowledgement from the holder(s) of such security as contemplated by Section 1.1(ww)(xv), as more particularly set forth in Schedule E, provided that the Court Order shall, in form and substance reasonably acceptable to Parties, address the matters listed in Section 1.1(ww)(xv)(A-D).

(xx) "**Person**" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, fund, trust, corporation, body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

(yy) "**Point of Sale**" means the first point of sale that is downstream of the Royalty Determination Point at which Dilbit containing Bitumen from the Royalty Lands is sold by the Grantor or its Affiliate (on behalf of the Grantor) to a Third Party in a *bona fide* arm’s-length transaction; such as at the Edmonton hub or Hardisty hub, as applicable, or at such other place as the Parties may agree from time to time.

(zz) "**Prime Rate**" means the rate designated as the prevailing prime rate for Canadian commercial loans by the Canadian Imperial Bank of Commerce (provided that if the Canadian Imperial Bank of Commerce is not in existence at the applicable time of determination, then the largest Canadian bank by asset size shall be used in the place of the Canadian Imperial Bank of Commerce for the purposes hereof).

(aaa) "**Proceeds of Sale**" means, for a certain Month, an amount equal to (x) the aggregate sum of the gross proceeds of sales of the Royalty Share of Bitumen, or Dilbit containing the Royalty Share of Bitumen, in each case received by the Grantor or any of its Affiliates as agent and trustee of the Royalty Owner pursuant to and in accordance with Section 2.6, minus (y) the Permitted Charges.

(bbb) "**Producing Royalty Lands**" means those lands set out in Part I of Schedule A (Producing Royalty Lands and Related Mineral Title Documents) included in the applicable Leases, and so much of those lands as remain subject to this Agreement and the Title Documents, together with the rights to explore for and recover Bitumen from within, upon or under those lands.

(ccc) "**Projects**" has the meaning given to that term in Section 8.1.

(ddd) "**Reacquisition**" has the meaning given to that term in Section 2.3(c).

(eee) "**Representatives**" means, with respect to either Party, its Affiliates, and its and their respective directors, officers, employees, representatives, agents and professional advisors.

(fff) "**Royalty**" has the meaning given to that term in Section 2.1.

(ggg) "**Royalty Determination Point**" means the first point at which Bitumen produced from the Royalty Lands is or can be metered, measured or allocated; which measurement or allocation may (as required) be accomplished directly, by metering at the plant outlet of the CPF or at an off-loading facility to the extent Bitumen is being transported by truck or rail from the CPF to such facility, or indirectly, by deducting any Diluent added to the Bitumen to meet Transportation Specifications or refinery desired heavy crude yields or qualities, as applicable, from the measurement of Dilbit at such point.

(hhh) "**Royalty Lands**" means collectively, the Producing Royalty Lands and the Non-Producing Royalty Lands.

(iii) "**Royalty Lands Information**" means the information required to be provided by the Grantor to the Royalty Owner set forth in Schedule D.

(jjj) "**Royalty Owner**" has the meaning given to that term in the preamble and shall include any of its administrators, trustees, receivers, receiver-managers, successors and permitted assigns.

(kkk) "**Royalty Owner Storage**" has the meaning given to that term in Section 2.5(b)(i).

(lll) "**Royalty Owner Tax Issue**" has the meaning given to that term in Section 3.5(b)(v).

(mmm) "**Royalty Share of Bitumen**" means, for a certain period, that quantity of Bitumen within, upon or under the Royalty Lands equal to the product of: (i) the Sliding Scale Royalty Rate; and (ii) the total volume of Bitumen produced from the Royalty Lands and measured at the Royalty Determination Point.

(nnn) "**Royalty Share of Bitumen Equivalent**" means either the Royalty Share of Bitumen Equivalent (Agency) or the Royalty Share of Bitumen Equivalent (Royalty Payment), as applicable.

(ooo) "**Royalty Share of Bitumen Equivalent (Agency)**" has the meaning given to that term in Section 2.6(f).

(ppp) "**Royalty Share of Bitumen Equivalent (Royalty Payment)**" has the meaning given to that term in Section 2.7(b).

(qqq) "**Schedules**" has the meaning given to that term in Section 1.2.

(rrr) "**Sliding Scale Royalty Rate**" means:

(i) with respect to the Producing Royalty Lands, with respect to a particular Month, the royalty rate (expressed as a percentage) calculated pursuant to and in accordance with the Sliding Scale Royalty Rate Calculation; provided that: (A) if the Benchmark Reference Price is less than sixty US dollars (US$60), then the Sliding Scale Royalty Rate shall be zero percent (0%), and (B) if the Benchmark Reference Price is equal to or greater than one hundred forty US dollars (US$140), then the Sliding Scale Royalty Rate shall be fifteen percent (15%); and

(ii) with respect to the Non-Producing Royalty Lands, with respect to a particular Month, the royalty rate (expressed as a percentage) calculated pursuant to and in accordance with the Sliding Scale Royalty Rate Calculation; provided that: (A) if the Benchmark Reference Price is less than seventy US dollars (US$70), then the Sliding Scale Royalty Rate shall be zero percent (0%), and (B) if the Benchmark Reference Price is equal to or greater than one hundred fifty US dollars (US$150), then the Sliding Scale Royalty Rate shall be fifteen percent (15%).

(sss) "**Sliding Scale Royalty Rate Calculation**" means:

(i) with respect to the Producing Royalty Lands, the agreed method of calculating "Sliding Scale Royalty Rate" set out in Schedule B under the heading “Producing Royalty Lands Sliding Scale Royalty Rate Calculation”; and

(ii) with respect to the Non-Producing Royalty Lands, the agreed method of calculating "Sliding Scale Royalty Rate" set out in Schedule B under the heading “Non-Producing Royalty Lands Sliding Scale Royalty Rate Calculation”.

(ttt) "**Storage Charges**" means:

(i) the reasonable Third Party storage fees (including any Unutilized Capacity Charges) actually incurred by the Grantor to store the Dilbit that belongs to the Royalty Owner and that includes the Royalty Share of Bitumen, including any reasonable cost of insurance to cover risk thereon; and

(ii) if, when and to the extent applicable, should the Grantor or any of its Affiliates use or build its own production storage tankage, the reasonable storage fees (including reasonable insurance costs of Grantor) charged by the Grantor, or its Affiliate, to the Royalty Owner, to store the Dilbit that belongs to the Royalty Owner and that includes the Royalty Share of Bitumen; provided that, such storage fees shall be consistent with the prevailing market storage fees of Third Parties applicable to the storage of Third Party production of Dilbit that is substantially similar in type, content, mixture and quality to the Dilbit that includes Bitumen produced from the Royalty Lands.

(uuu) "**Storage Withdrawal Notice**" has the meaning given to that term in Section 3.5(a)(vii).

(vvv) “**Subordination Agreement**” means a subordination agreement substantially in the form attached hereto as Schedule F.

(www) "**Surrender/Expiry Notice**" has the meaning given to that term in Section 6.4(b).

(xxx) "**Tax Assessment**" has the meaning given to that term in Section 3.5(b)(iii).

(yyy) "**Tax Withdrawal Notice**" has the meaning given to that term in Section 3.5(a)(iv).

(zzz) "**Third Party**" means any Person other than the Parties and their Affiliates.

(aaaa) "**TIK Overdelivery**" has the meaning given to that term in Section 2.5(c)(i).

(bbbb) "**TIK Terms**" has the meaning given to that term in Section 2.5(h).

(cccc) "**TIK Underdelivery**" has the meaning given to that term in Section 2.5(c)(ii).

(dddd) "**Title and Operating Documents**" means, collectively, the Title Documents and the Operating Documents.

(eeee) "**Title Documents**" means the documents of title through which the Grantor holds its Working Interest, including the Leases and those other documents described in Parts I, II and III of Schedule A to this Agreement, insofar as they relate to the Royalty Lands, and all renewals, extensions, continuations, documents of title issued in substitution of those documents or other conveyances or instruments granting the Grantor or any of its Affiliates an interest in Bitumen produced from the Royalty Lands (including Reacquisitions, as herein provided), and all agreements relating to surface rights used in connection with the exploitation of the Royalty Lands or the conduct of operations thereon.

(ffff) "**Transfer**" has the meaning given to that term in Section 7.1(a).

(gggg) "**Transportation Fees**" means:

(i) **t**he reasonable Third Party transportation fees (including any Unutilized Capacity Charges) actually incurred by the Grantor to transport the Dilbit that belongs to the Royalty Owner and that includes the Royalty Share of Bitumen from (and including) the Royalty Determination Point to (and including) the Point of Sale;

(ii) the financial amount incurred by Grantor in respect of shrinkage and losses in connection with transportation of Dilbit that belongs to the Royalty Owner and that includes the Royalty Share of Bitumen between the Royalty Determination Point and the Point of Sale; and

(iii) if, when and to the extent applicable, should the Grantor or any of its Affiliates build its own pipeline or other transportation infrastructure and such infrastructure is made available in respect of the Royalty Share of Bitumen, such reasonable transportation costs (including reasonable insurance costs of Grantor) as are allocated by the Grantor, or any of its Affiliates, to the Royalty Owner, in connection with the transport of Dilbit that belongs to the Royalty Owner and that includes the Royalty Share of Bitumen from the Royalty Determination Point to the Point of Sale; provided that, such costs shall be consistent with the prevailing market transportation fees of Third Parties applicable to the transportation of Third Party production of Dilbit that is substantially similar in type, content, mixture and quality to the Dilbit that includes Bitumen produced from the Royalty Lands; for greater certainty, unless the Parties otherwise agree, (x) if the Person(s) owning the pipeline or other transportation infrastructure are exclusively the Grantor and its Affiliates, or any of them, or (y) if the Grantor and its Affiliates, or any of them, have the power to establish and implement the costs to be so allocated, then such reasonable costs shall be calculated in accordance with the Joint Industry Task Force Report regarding the JP-05 standard published in October 2005.

(hhhh) "**Transportation Specifications**" means transportation specifications of Third Parties or as reasonably established by the Grantor (including in respect of viscosity and density) required to transport Dilbit from the Royalty Determination Point to and including the Point of Sale.

(iiii) "**Transportation Withdrawal Notice**" has the meaning given to that term in Section 3.5(a)(vii).

(jjjj) "**Tribunal**" has the meaning given to that term in Section 12.1(d).

(kkkk) "**Unutilized Capacity Charges**" means any demand, fixed, capital, take or pay or similar charges, fees, penalties, levies or similar costs related to unutilized capacity incurred by the Grantor pursuant to any then existing storage or transportation arrangements applicable to the storage or transportation of Dilbit that belongs to the Royalty Owner and that includes the Royalty Share of Bitumen; provided that, for greater certainty, such charges, fees, penalties, levies or costs shall be allocated to the Royalty Owner (and included as “unutilized capacity charges”) in accordance with the applicable Sliding Scale Royalty Rate.

(llll) "**Withholding Tax Audit**" has the meaning given to that term in Section 3.5(b)(ii).

(mmmm) "**Working Interest**" means the interest (expressed as a percentage) held by the Grantor in and to the Royalty Lands that is burdened with the obligation to bear and pay costs and expenses of maintenance, development, operation and abandonment on or in connection with such Royalty Lands, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

1.2 Schedules and Disclosure Letter

(a) The following Schedules (the "**Schedules**") are attached to, form part of and are incorporated in this Agreement:

Schedule A:	Royalty Lands; Title and Operating Documents
Schedule B:	Sliding Scale Royalty Rates
Schedule C:	Dilbit Equivalency Price Calculation
Schedule D:	Royalty Lands Information
Schedule E	Existing Lender Security Governed by Court Order
Schedule F	Subordination Agreement
Schedule G	Court Order

(b) The Disclosure Letter forms part of this Agreement and is incorporated into this Agreement by reference.

(c) Wherever any term or condition, whether express or implied, of any Schedules attached hereto or of the Disclosure Letter conflicts with or is at variance with any term or condition in the body of this Agreement, the terms or conditions in the body of this Agreement shall prevail to the extent of the conflict.

(d) The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement, and in the event of conflict, the provisions of this Agreement shall prevail.

1.3 Headings

The division of this Agreement into Articles, Sections, Subsections, and paragraphs and the provision of headings are for convenience and reference only and shall not affect the meaning, interpretation or construction of this Agreement.

1.4 Article, Section and Schedule References

When the context reasonably permits, references to 'Articles', 'Sections', 'Subsections', 'paragraphs' or 'Schedules' mean and refer to specified Articles, Sections, Subsections, paragraphs and Schedules of, or to, this Agreement.

1.5 Extended Meanings and Derivatives

When the context reasonably permits:

(a) words suggesting the singular shall be construed as suggesting the plural and vice versa and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders;

(b) the word "including" means 'including without limitation' and "includes" means 'includes without limitation';

(c) the word “may” means “may, in its discretion, but shall not be required to”; and

(d) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning.

1.6 References

(a) Unless otherwise specified, any reference to time refers to the time in Calgary, Alberta.

(b) Any reference to "CAD$" refers to lawful currency of Canada.

(c) Any reference to "US$" refers to lawful currency of the United States of America.

(d) Any reference herein to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made to such statute or any such regulations in force from time to time and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto, and to any directives, guidelines or orders made pursuant to any such statute or regulation in effect from time to time.

(e) Any reference to any agreement, document or instrument means such agreement, document or instrument as amended, replaced, restated or modified and in effect from time to time in accordance with the terms thereof.

1.7 FX Rate

Unless otherwise set forth herein, U.S. dollar amounts shall be converted to Canadian dollars at the FX Rate in effect at the time of conversion.

1.8 Invalidity of Provisions

If any of the provisions of this Agreement should be determined to be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions herein shall not in any way be affected or impaired thereby. The Parties further agree that if any provision contained herein is, to any extent, held invalid or unenforceable in any respect under the laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained herein that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the Parties to the greatest extent legally permissible.

1.9 Construction

This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not apply to the construction or interpretation of this Agreement. Prior drafts of this Agreement, and any differences between any such prior draft and this Agreement, shall not be considered in connection with the construction or interpretation of any provision hereof.

1.10 Good Faith and Fair Dealing

The Parties acknowledge and agree that for all intents and purposes of this Agreement they will deal with each other fairly and perform and enforce their respective rights and obligations hereunder honestly and in good faith.

1.11 Accounting Matters

All accounting terms not otherwise defined in this Agreement have the meanings assigned to them by, and all computations to be made under this Agreement shall be made in accordance with, IFRS.

1.12 Knowledge of Grantor

Where in this Agreement a representation or warranty is limited to the knowledge or awareness of the Grantor, such knowledge or awareness shall be deemed to consist of the actual knowledge or awareness of the Grantor's officers and senior managers, in each case after reasonable enquiry being made of such officer's or manager’s direct reports, but does not include the knowledge or awareness of any other Person, or any constructive or imputed knowledge.

ARTICLE 2
PROPRIETARY ROYALTY

2.1 Grant of Royalty

In consideration for the payment by the Royalty Owner to the Grantor of the Consideration, the receipt of which is hereby confirmed and acknowledged by the Grantor, the Grantor hereby irrevocably grants, assigns and transfers to the Royalty Owner, effective as of the date hereof, an undivided interest in and to the Bitumen within, upon or under the Royalty Lands equal to the Royalty Share of Bitumen (the "**Royalty**"), free and clear of any and all encumbrances (other than Permitted Encumbrances that: (a) are applicable to the Royalty Lands; (b) indirectly encumber the Bitumen within, upon or under the Royalty Lands; and (c) are the sole responsibility of the Grantor hereunder, as further specified in Section 2.2(b)), and subject to the terms and conditions of this Agreement, including, for certainty, Section 2.2(b).

2.2 Quantification of the Royalty

(a) Subject to the terms and conditions hereof, the Royalty Owner, by virtue of being the owner of the Royalty, shall, for any period, be entitled to the following:

(i) the Royalty Share of Bitumen which the Royalty Owner elects to take in kind pursuant to Section 2.5; or

(ii) the Royalty Share of Bitumen Equivalent payable by the Grantor to the Royalty Owner pursuant to Section 2.6(f) or Section 2.7(b), as applicable,

with no deductions, other than those Permitted Charges expressly contemplated and accounted for within the determination of the Proceeds of Sale or the Royalty Share of Bitumen Equivalent (Royalty Payment), as applicable, without duplication.

(b) For greater certainty, subject to any agreement of the Parties pursuant to Section 2.11, other than those deductions for Permitted Charges expressly contemplated and accounted for within the determination of the Proceeds of Sale or the Royalty Share of Bitumen Equivalent (Royalty Payment), as applicable, the Royalty Share of Bitumen and the Royalty Share of Bitumen Equivalent shall (x) be free of any and all deductions, and (y) not be subject to (and the Royalty Owner shall not be charged with or have any responsibility for) any costs, expenses or royalty allocations whatsoever, including:

(i) any royalty (including the Crown lessor royalty), rental or other encumbrances (including, for greater certainty, the Permitted Encumbrances) in respect of the Royalty Lands; which royalties, rentals, and other encumbrances shall be and remain the sole responsibility of the Grantor;

(ii) any costs, charges or assessments of any nature incurred with respect to the production of Bitumen, including any costs, charges or assessments in respect of exploration, drilling, or completion;

(iii) any Handling or sales costs incurred by the Grantor or any of its Affiliates; and

(iv) any *ad valorem*, carbon, production, severance, value-added and similar taxes and assessments applicable in respect of the production or sale of Bitumen or Dilbit.

2.3 Royalty is an Interest in Land

(a) It is acknowledged, intended, agreed and declared that:

(i) the Royalty constitutes an interest in land, and specifically, in and to the Royalty Lands;

(ii) all terms, covenants, and conditions in this Agreement shall run with and are binding upon the Title and Operating Documents, the Royalty Lands and the estates affected thereby for the life of any of the Title and Operating Documents, subject to the terms and conditions of this Agreement;

(iii) the Royalty is capable of supporting, and the Royalty Owner is entitled (at its sole cost and expense) to register and maintain in respect of the Royalty, caveats or other applicable interests against the Grantor's interest in the Royalty Lands, subject to the requirements and limitations under Applicable Laws in respect of such registrations; and

(iv) the Grantor shall co-operate with the Royalty Owner in taking any commercially reasonable actions that are necessary or appropriate to support and defend the Parties' intentions set out in Sections 2.3(a)(i) and 2.3(a)(ii), and the registrations set out in Section 2.3(a)(iii).

(b) The Royalty shall apply to each of the Grantor's and each of its Affiliates' interests in:

(i) all renewals, extensions and other similar arrangements with respect to any Title and Operating Document (whether obtained before or after the date of this Agreement); and

(ii) any rights to explore for or produce Bitumen from the Royalty Lands described in the Title and Operating Documents.

(c) For purposes of this Section 2.3, a new lease or other conveyance that covers the same tract or property (or any part thereof) covered by a prior lease or interest covered by this Agreement, and which is acquired by the Grantor or its Affiliates within one (1) year after the expiration, termination or release of such prior lease or interest (hereinafter referred to as a "**Reacquisition**"), shall be treated as a renewal or extension of such prior lease or interest (for certainty, to the extent, and only to the extent, of the applicable Royalty Lands included in the prior lease or interest that have been Reacquired); and, upon the occurrence of a Reacquisition, the Grantor shall grant, or shall cause its Affiliates to grant, as applicable, assign and transfer to the Royalty Owner (for no additional consideration), effective as of the applicable date of Reacquisition, the Royalty on such Royalty Lands on substantially the same terms and conditions as those contained herein. For greater certainty, the Parties will, or in the case of the Grantor, will cause its Affiliates to, if applicable, execute a new agreement in substantially the same form as this Agreement granting the Royalty subsequent to the Reacquisition of such Royalty Lands and interests by the Grantor or its Affiliates.

(d) The allowable deductions for Permitted Charges expressly contemplated and accounted for within the determination of the Proceeds of Sale or the Royalty Share of Bitumen Equivalent (Royalty Payment), as applicable, are expressed as cash obligations for convenience of record keeping and audit, and are not to be construed as altering the nature of the Royalty as an interest in land.

2.4 Royalty Elections

(a) The Royalty Owner may make an Election Notice at any time, and from time to time; provided that if the Royalty Owner's right to take the Royalty Share of Bitumen in kind is suspended pursuant to Section 2.5(f), the Royalty Owner may not make an Election Notice to take the Royalty Share of Bitumen in kind pursuant to Section 2.5 until the material breach or failure giving rise to the suspension is resolved.

(b) Any Election Notice, together with the rights being exercised by the Royalty Owner thereunder, shall remain in place until the Election Notice Effective Time of any subsequent Election Notice, which revokes the prior election.

2.5 Right to Take In Kind

(a) The Royalty Owner may, pursuant to and in accordance with Section 2.4, elect to take delivery of the Royalty Share of Bitumen in kind and separately dispose of same.

(b) If the Royalty Owner elects to take the Royalty Share of Bitumen in kind pursuant to Section 2.5(a):

(i) the Grantor shall use all commercially reasonable efforts to provide (including by way of the construction and installation of new facilities), or cause to be provided, sufficient production tankage capacity for Dilbit that includes the Royalty Share of Bitumen taken in kind upstream of the Point of Sale ("**Royalty Owner Storage**"); provided that, notwithstanding Section 2.2(b)(iii), such Royalty Owner Storage shall be at the sole cost, risk and expense of the Royalty Owner. Notwithstanding the foregoing, if such Royalty Owner Storage is obtained or constructed by the Grantor or any of its Affiliates, the Royalty Owner shall have no liability to the Grantor or any of its Affiliates on account of any such costs, risks or expenses connected with the construction, use or operation of the Royalty Owner Storage that are caused by, or are otherwise incurred in connection with: (A) the Grantor or any of its Affiliates not acting in accordance with good oilfield practice, (B) the Grantor or any of its Affiliates not using the degree of care and diligence the Grantor or such Affiliate ordinarily undertakes in operations associated with its share of Bitumen produced from the Royalty Lands, (C) the Grantor's or any of its Affiliate's gross negligence or wilful misconduct, or (D) any cost mark-up over and above the Grantor's or any of its Affiliates' out of pocket costs and expenses;

(ii) the Royalty Owner will supply the Grantor with such information regarding the Royalty Owner's arrangements for disposition of the Dilbit that includes the Royalty Share of Bitumen as the Grantor may reasonably require, and as requested by Notice provided to the Royalty Owner to coordinate custody transfer and shipping arrangements for such Dilbit into the Royalty Owner Storage. The Royalty Owner's failure to provide the Grantor with such requested information in a timely manner will be deemed to be a failure by the Royalty Owner to take the Royalty Share of Bitumen in kind, and subject to the cure period set forth in Section 2.5(f)(ii), the Grantor may, in its sole discretion, elect to exercise its remedy set forth in Section 2.5(f) in the manner described therein;

(iii) the Grantor shall, in all cases, take such actions as are necessary or appropriate, in each case in accordance with good oilfield practice, to ensure that sufficient Diluent is added to the Bitumen in order to comply with the relevant Transportation Specifications and shall deliver the Dilbit that includes the Royalty Share of Bitumen taken in kind into the Royalty Owner Storage;

(iv) at such time as the Dilbit held in the Royalty Owner Storage can be delivered on a Batch Delivery Basis from the Royalty Owner Storage to the Point of Sale, the Royalty Owner shall provide the Grantor with such additional information as the Grantor may reasonably require, if any, and as requested by Notice provided by the Grantor to the Royalty Owner, to coordinate custody transfer and shipping arrangements for such Dilbit to the Point of Sale; and

(v) the Grantor shall, upon receipt of such Notice and delivery of the required information, deliver the Dilbit that includes the Royalty Share of Bitumen taken in kind to the Royalty Owner, or the Royalty Owner's nominee, at the Point of Sale, in accordance with Section 2.8 and usual and customary shipping practice; provided that, the Grantor shall have no liability to the Royalty Owner if, for any reason beyond the reasonable control of the Grantor, which the Grantor could not have avoided by the application of ordinary diligence, the Grantor is unable to deliver the Royalty Share of Bitumen set out in the Notice to the Royalty Owner at the Point of Sale.

(c) During any and all periods when the Royalty Owner is taking the Royalty Share of Bitumen in kind, the applicable Benchmark Reference Price of the immediately preceding Month shall be used in the determination of the Sliding Scale Royalty Rate (up to a maximum of fifteen percent (15%)), subject to the following volume adjustments:

(i) if the volume of Bitumen comprising the Royalty Share of Bitumen actually taken in kind by the Royalty Owner for a Month based on the Benchmark Reference Price of the immediately preceding Month is greater than the actual volume of Bitumen comprising the Royalty Share of Bitumen taken in kind by the Royalty Owner for that Month to which the Royalty Owner was entitled based on the Benchmark Reference Price for the Month when the Royalty Share of Bitumen was taken in kind (a "**TIK Overdelivery**"), the Grantor shall be entitled to reduce future in kind deliveries of the Royalty Share of Bitumen to the Royalty Owner by the volume of the TIK Overdelivery; and

(ii) if the volume of Bitumen comprising the Royalty Share of Bitumen actually taken in kind by the Royalty Owner for a Month based on the Benchmark Reference Price of the immediately preceding Month is less than the actual volume of Bitumen comprising the Royalty Share of Bitumen taken in kind by the Royalty Owner for that Month to which the Royalty Owner was entitled based on the Benchmark Reference Price for the Month when the Royalty Share of Bitumen was taken in kind (a "**TIK Underdelivery**"), the Grantor shall be obligated to increase future in kind deliveries of the Royalty Share of Bitumen by the volume of the TIK Underdelivery (which, unless otherwise agreed to by the Royalty Owner, shall be delivered in the Month following the determination).

(d) Notwithstanding Section 2.5(c), if the Royalty Owner is no longer taking the Royalty Share of Bitumen in kind such that the TIK Overdelivery or TIK Underdelivery cannot be adjusted on a volume basis, as provided in Section 2.5(c), the TIK Overdelivery or TIK Underdelivery, as applicable, shall be converted to a cash equivalent and adjusted pursuant to the provisions Section 4.3.

(e) If, following an Election Notice Effective Time that terminates a period where the Royalty Owner is taking delivery of the Royalty Share of Bitumen in kind pursuant to Section 2.5(a), there remains any Dilbit then held for the credit of the Royalty Owner in the Royalty Owner Storage or which has not otherwise been transferred at the Point of Sale, then the Grantor shall account to the Royalty Owner for such Dilbit by either:

(i) purchasing such Dilbit at a price that is reasonable given all the facts and circumstances; or

(ii) paying the Royalty Owner an equivalency payment in respect of such Dilbit pursuant to and in accordance with Section 2.7(a).

(f) Notwithstanding any provision in this Section 2.5 to the contrary, in the event of:

(i) any material breach by the Royalty Owner of its obligations under Section 3.5 that remains uncured for twenty (20) days after receipt by the Royalty Owner of Notice of such breach, or

(ii) a failure of the Royalty Owner, following an election to take the Royalty Share of Bitumen in kind pursuant to Section 2.5(a), to take in kind and dispose of the Royalty Share of Bitumen that remains uncured for twenty (20) days after receipt by the Royalty Owner of Notice of such failure;

the Grantor may, in its sole discretion, provide the Royalty Owner with Notice that it elects to suspend the Royalty Owner's right to take the Royalty Share of Bitumen in kind until such material breach or failure is resolved, in which case, notwithstanding Section 2.4(b), the Royalty Owner will be deemed to have delivered an Election Notice, effective immediately, to receive an equivalency payment in respect of the Royalty Share of Bitumen produced from the Royalty Lands from and after the date of such election pursuant to Section 2.7(a). Such deemed election will remain in place until the Election Notice Effective Time of a subsequent Election Notice made pursuant to Section 2.4.

(g) All Losses and Liabilities suffered, sustained, paid or incurred by the Grantor, or any of its Affiliates, as a result of the Royalty Owner's breach under Section 3.5 or the Royalty Owner's failure to take in kind and dispose of the Royalty Share of Bitumen, as herein provided, shall be for the account of the Royalty Owner and the Royalty Owner shall indemnify and save the Grantor and its Affiliates from and against any such Losses and Liabilities.

(h) Subject to the foregoing terms and conditions of this Section 2.5, the Parties shall, acting reasonably, assess, review and develop supplementary terms and conditions upon which the Royalty Owner may exercise its right to take the Royalty Share of Bitumen in kind (the "**TIK Terms**"), which TIK Terms shall:

(i) consider, among other things, the usual and customary shipping practice and the technical requirements to which the Grantor is subject in connection with custody transfer and shipping arrangements; and

(ii) provide for customary and reasonable force majeure provisions (including in respect of sufficient Notice, timing, and suspension and recommencement of obligations) to supplement Section 2.5(b)(v),

provided that, the TIK Terms shall not include any term or condition that derogates, or otherwise has an adverse effect on, the nature and characterization of the Royalty as an interest in land. Notwithstanding the foregoing, the Royalty Owner’s right to take delivery of the Royalty Share of Bitumen in kind shall exist and continue pursuant to and in accordance with Section 2.5 whether or not the Parties reach agreement on any or all of the TIK Terms.

2.6 Grantor as Agent

(a) The Royalty Owner may, pursuant to and in accordance with Section 2.4, elect to appoint the Grantor as the agent of the Royalty Owner for the Handling and disposition of the Royalty Share of Bitumen to be disposed of by the Grantor pursuant to this Section 2.6 for, and on the behalf of, the Royalty Owner. If during this agency the Grantor or any of its Affiliates possesses the property of the Royalty Owner, including in Dilbit, the Royalty Share of Bitumen or the Proceeds of Sale therefrom, it does so as trustee for, and on the behalf of, the Royalty Owner, to the extent of the Royalty Owner's ownership interest therein.

(b) Except to the extent otherwise agreed by the Grantor and the Royalty Owner, and subject to the then existing contracts for the sale of Bitumen or Dilbit, insofar as the Grantor takes possession of the Royalty Share of Bitumen as agent of the Royalty Owner pursuant to this Section 2.6, the Grantor will dispose of such Bitumen by selling the Bitumen to a Third Party, upon and subject to the terms of this Agreement.

(c) Unless otherwise agreed by the Royalty Owner in writing, the Grantor may not:

(i) sell the Royalty Share of Bitumen to a Third Party under a sale contract unless such contract is terminable at any time on notice of ninety (90) days' or less without an early termination penalty or other cost;

(ii) enter into any sale contract applicable to the Bitumen produced from the Royalty Lands that commits the Grantor to sell more than eighty-five percent (85%) of the Bitumen produced from the Royalty Lands unless such contract is terminable at any time on notice of ninety (90) days' or less without an early termination penalty or other cost; or

(iii) sell the Royalty Share of Bitumen to an Affiliate.

(d) If the Grantor proposes to sell the Royalty Share of Bitumen under a contract that is not terminable at any time on notice of ninety (90) days' or less without an early termination penalty or other cost, then the following shall apply:

(i) the Grantor shall give Notice to the Royalty Owner of such intention and provide the Royalty Owner with a summary of the terms of the proposed contract in sufficient detail to enable the Royalty Owner to determine whether it wishes that portion of the Royalty Share of Bitumen affected by that contract to be sold pursuant to the proposed contract;

(ii) the Royalty Owner shall give Notice to the Grantor within ten (10) days of receipt of the Grantor's Notice indicating whether it consents to having such Bitumen sold under the terms of the proposed contract, such consent not to be unreasonably withheld, provided that failure of the Royalty Owner to provide Notice to the Grantor within this period shall be deemed to be consent of the Royalty Owner to the sale of such Bitumen pursuant to the terms of the proposed contract;

(iii) if the Royalty Owner consents or is deemed to consent pursuant to Section 2.6(d)(ii), the Grantor shall sell such Bitumen under such contract, provided that:

(A) upon expiry of such contract, the Grantor will dispose of such Bitumen pursuant to Section 2.6(b) and Section 2.6(c) unless and until the Grantor provides the Royalty Owner with a new Notice pursuant to this Section 2.6(d) which is consented to or is deemed to be consented to by the Royalty Owner pursuant to Section 2.6(d)(ii); and

(B) if the Royalty Owner gives Notice that it does not consent pursuant to Section 2.6(d)(ii), the Royalty Owner shall state in its Notice whether it intends to commence taking in kind and separately dispose of such Bitumen if it is permitted to do so pursuant to Section 2.5; and

(iv) if the Royalty Owner does not consent (and such consent was not unreasonably withheld) to having such Bitumen sold under the proposed contract, then the Grantor will dispose of such Bitumen pursuant to Section 2.6(b) and Section 2.6(c) unless and until the Grantor provides the Royalty Owner with a new Notice pursuant to this Section 2.6(d) which is consented to or is deemed to be consented to by the Royalty Owner pursuant to Section 2.6(d)(ii).

(e) Subject to the existing contracts for the sale of Bitumen or Dilbit, the Grantor shall use all commercially reasonable efforts to arrange for the sale of Bitumen or Dilbit on commercial terms (including price) available for the sale and Handling of such Bitumen or Dilbit; provided that, so long as the Grantor acts *bona fide*, in good faith, in compliance with Sections 2.6(b), 2.6(c) and 2.6(d), and is not negligent: (i) it shall have complete discretion as to the terms, conditions and length of all contracts entered into for the sale and Handling of Bitumen or Dilbit; and (ii) it shall not be responsible for any loss or any alleged loss which may occur by reason of any change in economic or political circumstances or otherwise with respect to any such sales or Handling contract.

(f) If the Grantor has been appointed as agent of the Royalty Owner pursuant to this Section 2.6, the Grantor shall, subject to Section 3.4(a) and Section 4.3, as applicable, pay to the Royalty Owner (to such account as may from time to time be designated in writing by the Royalty Owner), on account of the Royalty, an amount equal to the Proceeds of Sale (the "**Royalty Share of Bitumen Equivalent (Agency)**"), on or before the date that is the twenty-fifth (25th) day of the Month next following the Month in which the Royalty Share of Bitumen was produced; provided that the Royalty Owner may elect to receive payment of such Royalty funds on a less frequent basis (than Monthly) subject to the consent of the Grantor, such consent not to be unreasonably withheld or delayed.

2.7 Royalty Share of Bitumen Equivalent (Royalty Payment)

(a) The Royalty Owner may, pursuant to and in accordance with Section 2.4, elect to receive an equivalency payment calculated in accordance with Section 2.7(b) in respect of its Royalty Share of Bitumen.

(b) If such right specified in Section 2.7(a) is exercised, the Grantor shall, subject to Section 3.4(a), pay to the Royalty Owner (to such account as may from time to time be designated in writing by the Royalty Owner), on account of the Royalty, an amount equal to:

(i) the product of:

(A) the aggregate volume of Dilbit containing the Royalty Share of Bitumen for that Month; and

(B) the Dilbit Equivalency Price for that Month;

minus

(ii) Permitted Charges for that Month;

(such resulting amount being the "**Royalty Share of Bitumen Equivalent (Royalty Payment)**"), on or before the date that is the twenty-fifth (25th) day of the Month next following the Month in which the Royalty Share of Bitumen was produced; provided that the Royalty Owner may elect to receive payment of such Royalty funds on a less frequent basis (than Monthly) subject to the consent of the Grantor, such consent not to be unreasonably withheld or delayed.

2.8 Access to Transportation Capacity

At any and all times during the term of this Agreement, and whether or not: (i) the Grantor is acting as agent of the Royalty Owner for the Handling and disposition of the Royalty Share of Bitumen; or (ii) the Royalty Owner is taking the Royalty Share of Bitumen in kind, in either case, the Grantor shall provide and maintain (at no additional cost to the Royalty Owner beyond the Transportation Fees) sufficient capacity for the transportation of the Royalty Share of Bitumen under the Grantor's and its Affiliates' overall capacity for transportation of the Bitumen produced from the Royalty Lands, from the Royalty Determination Point to the Point of Sale after the Royalty Determination Point, in any case, on such terms and conditions that are no less favorable to the Royalty Owner than those applicable to the Grantor and its Affiliates (proportionately adjusted to reflect differences in volumes).

2.9 Royalty Owner's Lien; Subordination Agreement; Registrations

(a) As of the date hereof, the Grantor grants to the Royalty Owner a lien on the Grantor's Working Interest in and to the Royalty Lands, the Bitumen within, upon or under the Royalty Lands, or produced therefrom, and the wells and other tangible equipment thereon to secure the Royalty (the "**Lien**"). The Royalty and the Lien are interests in land that attach to the Title and Operating Documents.

(b) Concurrent with the execution and delivery of this Agreement, the Subordination Agreement shall have been duly executed by the Royalty Owner and delivered to the holder(s) of Existing Lender Security who have provided a written acknowledgement (as contemplated by Section 1.1(ww)(xv)) to the Royalty Owner.

(c) Subject to the terms of the Subordination Agreement, the Royalty Owner shall be entitled to register and maintain all applicable instruments securing the Lien against the Grantor and/or against the freehold, Crown or any other applicable titles in respect of the Royalty Lands, as applicable, in any case, without adverse Claim ever being made by the Grantor or any Person claiming by, through or under the Grantor.

(d) The Grantor shall co-operate with the Royalty Owner in taking any reasonable actions that are necessary or appropriate to create and perfect the Lien granted hereunder.

(e) In connection with any Lender Security granted by the Grantor after the date of execution of this Agreement, provided that in each case the holder(s) of such Lender Security have first executed and delivered a written acknowledgement (as contemplated by Section 1.1(ww)(xv)) to the Royalty Owner, the Royalty Owner shall, as soon as reasonably practicable, execute and deliver (to such holder(s) of such Lender Security) a subordination agreement on the same terms as provided for in the Subordination Agreement, *mutatis mutandis*.

2.10 Equitable Treatment

None of the Grantor or any of its Affiliates will discriminate against the Bitumen produced or producible from the Royalty Lands in the production, Handling and marketing of such Bitumen because such Bitumen is subject to the Royalty.

2.11 Other Technologies and Future Changes

If the Grantor uses different technologies or processes to:

(a) produce and market Bitumen as a final saleable product;

(b) produce, treat, store, process and transport Bitumen; or

(c) convert the Bitumen to a final saleable product other than Dilbit,

in a manner other than as contemplated herein, then this Royalty shall continue to apply, and the Parties shall cooperate in good faith to make such modifications and adjustments to the terms hereof that equitably account for the new product or take into account any modified processes used by the Grantor to treat, store, process or transport Bitumen. Any Dispute in connection with this modification shall be resolved pursuant to Article 12.

ARTICLE 3
PAYMENT AND ACCOUNTING

3.1 Manner of Payment

All amounts owing and payments made pursuant to this Agreement shall be in Canadian dollars and shall be made in immediately available funds; provided that, the Royalty Share of Bitumen Equivalent shall be made by wire transfer to an account or account(s) designated by the Royalty Owner.

3.2 Sale Proceeds Held in Trust

Amounts received by or on behalf of the Grantor or any of its Affiliates on account of the sale of the Royalty Share of Bitumen in accordance with Section 2.6 shall be received and held by the Grantor as trustee for the Royalty Owner.

3.3 Statements

The Grantor must provide the Royalty Owner, concurrent with the payment on account of the Royalty, with a statement in written or electronic format showing in reasonable detail the manner in which the Grantor calculated the Royalty Share of Bitumen Equivalent.

3.4 Withholding Tax

(a) The Parties acknowledge and agree that, notwithstanding anything to the contrary contained in this Agreement, at all times when the Royalty Owner is not a resident of Canada for the purposes of the *Income Tax Act* (Canada), is not a "Canadian partnership" (as defined in the *Income Tax Act* (Canada)) and the Grantor is required to withhold or deduct any amount under the *Income Tax Act* (Canada) from the Royalty Share of Bitumen Equivalent, then the Grantor shall be entitled to, and shall, withhold and remit (on a timely basis) to the applicable Governmental Authority, the applicable percentage amount required under the *Income Tax Act* (Canada) of the Royalty Share of Bitumen Equivalent payable to the Royalty Owner. Any such amounts withheld or deducted from the Royalty Share of Bitumen Equivalent (Agency) or the Royalty Share of Bitumen Equivalent (Royalty Payment), as applicable, and remitted by the Grantor to the applicable Governmental Authority, as herein provided, shall be treated for all purposes as having been paid to the Royalty Owner in respect of which such deduction and withholding was made.

(b) If, at any time, the status of the Royalty Owner changes to a resident of Canada or a "Canadian partnership", for the purposes of, or as defined in the *Income Tax Act* (Canada), the Royalty Owner shall provide Grantor with Notice thereof, such Notice to be accompanied by a certificate of a duly authorized officer of the Royalty Owner delivered to the Grantor, certifying the same.

3.5 Escrow for Withholding Tax and Other Costs

(a) During any period in which the Royalty Owner is taking the Royalty Share of Bitumen in kind:

(i) the Royalty Owner shall establish an escrow account (with full, non-revocable withdrawal rights for the Grantor subject to the terms hereof) for the purpose of providing funds for the Grantor in respect of withholding tax obligations, Transportation Fees, Storage Charges and Diluent Costs;

(ii) on or before the fifteenth (15th) day of each Month, the Grantor shall provide Notice to the Royalty Owner specifying: (A) the estimated quantity of the Royalty Share of Bitumen in kind for the next Month as determined by the Grantor, acting reasonably; and (B) an amount, in Canadian dollars, that, when added to any amounts already on deposit in such account, will be sufficient to cover (I) one hundred twenty percent (120%) of the withholding tax obligations of the Grantor or its Affiliates in respect of the delivery of such estimated quantity of the Royalty Share of Bitumen in kind for the next Month, and (II) one hundred twenty percent (120%) of any estimated liability of the Royalty Owner on account of Transportation Fees, Storage Charges and Diluent Costs to be paid by the Grantor for the next Month with respect to the estimated quantity of the Royalty Share of Bitumen in kind for the next Month, that, had the Royalty Owner not taken such Royalty Share of Bitumen in kind, would be expected to have been deducted from the Royalty by operation of the Royalty Share of Bitumen Equivalent (Royalty Payment) calculation set out in Section 2.7(b); in each case, with such amounts to reflect the Royalty Share of Bitumen and the estimated fair market value for such Bitumen at the Point of Sale for the subsequent Month as estimated by the Grantor, acting reasonably and in good faith;

(iii) on or before the twentieth (20th) day of each Month, the Royalty Owner shall:

(A) where the amount specified in the Notice provided pursuant to Section 3.5(a)(ii) is a positive amount, deposit funds, in Canadian dollars, into such escrow account in an amount no less than the amount specified in such Notice; or

(B) where any amount on deposit exceeds the aggregate of the amounts estimated in Section 3.5(a)(ii)(B)(I) and Section 3.5(a)(ii)(B)(II), be entitled to withdraw any such excess amount from the escrow account;

provided, that at any time the Royalty Owner is a resident of Canada for the purposes of the *Income Tax Act* (Canada) or a "Canadian Partnership" (as defined in the *Income Tax Act* (Canada)), and the Royalty Owner has provided evidence of its Canadian residency satisfactory to the Grantor, acting reasonably, then the Royalty Owner shall only have to fund an amount that, when added to any amounts already on deposit, will be sufficient to cover the costs described in clause (II) of Section 3.5(a)(ii)(B).

(iv) on or before the fifth (5th) day following the end of each Month in which the Royalty Owner has taken any of the Royalty Share of Bitumen in kind, the Grantor shall provide Notice to the Royalty Owner of the amount the Grantor proposes to withdraw from the escrow account (the "**Tax Withdrawal Notice**") to fund its or its Affiliates withholding remittance obligations; provided that:

(A) such Tax Withdrawal Notice shall specify withholding tax rates, delivery volumes, fair market values for Bitumen at the Point of Sale, and any other amounts used to calculate such withholding remittance obligation;

(B) if the Royalty Owner provides Notice to the Grantor on or before the ninth (9th) day immediately following such Month, that the Royalty Owner determines that the amount of withholding tax to be remitted should be greater than the amount proposed by the Grantor in the Tax Withdrawal Notice, then, to the extent that there are sufficient funds in the escrow account, the Grantor shall, for the purposes of Section 3.5(a)(v), increase the amount in respect of the withholding remittance obligations to be withdrawn from the escrow fund to the amount requested by the Royalty Owner; and

(C) if the Royalty Owner does not provide any Notice pursuant to Section 3.5(a)(iv)(B), then the amounts provided in the Tax Withdrawal Notice shall be the amounts agreed to by the Parties for the purposes of Section 3.5(a)(v);

(v) between the tenth (10^{th}) day and the fifteenth (15th) day immediately following the end of each Month in which the Royalty Owner has taken any of the Royalty Share of Bitumen in kind, the Grantor shall, and is hereby authorized and directed by the Royalty Owner to, withdraw from the escrow account such amount in respect of withholding remittance obligations determined in accordance with 3.5(a)(iv); provided that all amounts withdrawn from the escrow account pursuant to this Section 3.5(a)(v) shall be remitted to the applicable Governmental Authority, and shall be used for no other purpose;

(vi) the Grantor shall provide the Royalty Owner with copies of any receipts issued by the Governmental Authority evidencing such remittances, a copy of the return reporting such remittances or such other evidence of such remittance to the extent requested by the Royalty Owner, acting reasonably, and shall provide to the Royalty Owner or assist the Royalty Owner in obtaining, to the extent practicable, such evidence, satisfactory to the Royalty Owner, acting reasonably, of payment of any taxes withheld and remitted by the Grantor or its Affiliate, sufficient to provide the requisite support, under the internal laws of the United States, for the purpose of obtaining credit for foreign taxes paid by the Royalty Owner;

(vii) the Grantor shall provide Notice to the Royalty Owner of the amount the Grantor proposes to withdraw from the escrow account to reimburse Grantor for Grantor's liability on account of Transportation Fees (the "**Transportation Withdrawal Notice**"), Storage Charges (the "**Storage Withdrawal Notice**") and Diluent Costs (the "**Diluent Withdrawal Notice**") actually incurred by the Grantor, if any, in respect of such Royalty Share of Bitumen for any prior Month; provided that:

(A) the Grantor shall be entitled to provide no more than one (1) Transportation Withdrawal Notice per Month, no more than one (1) Storage Withdrawal Notice per Month and no more than one (1) Diluent Withdrawal Notice per Month;

(B) each Transportation Withdrawal Notice, Storage Withdrawal Notice and Diluent Withdrawal Notice shall include supporting documentation, satisfactory to the Royalty Owner, acting reasonably, in respect of such actual Transportation Fees, Storage Charges and Diluent Costs, as applicable; and

(C) the Grantor shall only be entitled to withdraw the amounts specified in the Transportation Withdrawal Notice, Storage Withdrawal Notice or Diluent Withdrawal Notice on or after the fifth (5th) day following the delivery of such Notice;

(viii) if there is a material increase in the estimated fair market value for Bitumen at the Point of Sale or the estimated Diluent Costs between deposit dates contemplated by Section 3.5(a)(iii), then, on ten (10) days' prior written Notice provided by the Grantor to the Royalty Owner, the Royalty Owner shall make additional deposits into the escrow account to reflect such increase in the estimated fair market value for such Bitumen at the Point of Sale or Diluent Costs, as the case may be;

(ix) notwithstanding any other provision of this Agreement, the Royalty Owner shall not be required to reimburse the Grantor for any interest, penalties, late fees or other charges associated with Indemnified Taxes, Transportation Fees, Storage Charges or Diluent Costs that arise due to: (A) any delay in the Grantor providing the Royalty Owner with a Tax Withdrawal Notice, Transportation Withdrawal Notice, Storage Withdrawal Notice or Diluent Withdrawal Notice; or (B) the negligence of the Grantor or its Affiliates; and

(x) if the Royalty Owner ceases to take its Royalty Share of Bitumen in kind in accordance with the terms hereof, then the Royalty Owner shall be entitled to withdraw the balance, if any, remaining in the escrow account at any time after forty-five (45) days after the end of the Month in which the Royalty Owner ceases to take its Royalty Share of Bitumen in kind; provided that such withdrawal shall not in any way limit the Royalty Owner’s obligations pursuant to Section 3.5(b)(i).

(b) Whether or not the Royalty Owner is taking the Royalty Share of Bitumen in kind:

(i) subject to the Grantor's compliance with its obligations contained in Section 3.4(a) and this Section 3.5, the Royalty Owner shall indemnify the Grantor and its Affiliates for any withholding taxes, including any interest or penalties applicable thereto, payable or paid by the Grantor or its Affiliates in respect of the delivery of the Royalty Share of Bitumen or Royalty Share of Bitumen Equivalent, as the case may be, to the Royalty Owner hereunder (the "**Indemnified Taxes**") and any reasonable expenses and other Losses and Liabilities arising from or with respect to such Indemnified Taxes, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority;

(ii) if, at any time, a Governmental Authority provides notice that it intends to conduct an audit, review or other investigation of the Grantor or its Affiliates (collectively, a "**Withholding Tax Audit**") relating to Indemnified Taxes, and which in turn could give rise to a Claim against the Royalty Owner hereunder, the Grantor shall provide Notice to Royalty Owner within ten (10) days of the Grantor or its Affiliates receiving such notice. The Grantor shall provide the Royalty Owner in advance, for comment by the Royalty Owner, drafts of the relevant sections of any submissions that the Grantor or its Affiliates propose to make to such Governmental Authority responding to the Withholding Tax Audit as it relates to Indemnified Taxes, and shall reasonably consider any comments made by the Royalty Owner with respect thereto;

(iii) if, at any time, the Grantor or its Affiliates receives from a Governmental Authority an assessment, reassessment or any other notice in writing which could give rise to a Claim against the Royalty

Owner under this Agreement (a "**Tax Assessment**"), the Grantor shall deliver to the Royalty Owner within ten (10) days of the Grantor or its Affiliates receiving the Tax Assessment, a copy of the Tax Assessment;

(iv) the Grantor shall deliver to the Royalty Owner, no later than ten (10) Business Days after receipt, copies of any correspondence or documents received by the Grantor or its Affiliates from a Governmental Authority in connection with any Withholding Tax Audit or Tax Assessment;

(v) subject to the provisions below, if an issue underlying the Tax Assessment affects the Royalty Owner more than it affects the Grantor (taking into account any indemnification receivable by the Grantor or its Affiliates in respect of such issue) (a "**Royalty Owner Tax Issue**") and if so requested by the Royalty Owner, the Grantor or its Affiliates shall permit the Royalty Owner to contest such Royalty Owner Tax Issue through appropriate administrative and judicial proceedings, including, in the event of an adverse decision by the relevant Governmental Authority, making all appeals that the Grantor or its Affiliates would be entitled to make. The right of the Royalty Owner to require the commencement or continuation of a contest of a Royalty Owner Tax Issue shall be subject to the following terms and conditions:

(A) the Royalty Owner shall deliver to the Grantor a written agreement that the Grantor or its Affiliates are entitled to indemnification in respect of such Tax Assessment and that the Royalty Owner shall be liable for all Indemnified Taxes in respect of such Tax Assessment, in each case subject to the terms hereof;

(B) (I) the Royalty Owner shall control the conduct of and shall make all decisions regarding the contest of such Royalty Owner Tax Issue, including employing counsel of its choice to conduct the contest of such Tax Assessment at the expense of the Royalty Owner, provided that (II) if the Tax Assessment does not relate solely to such Royalty Owner Tax Issue, the Grantor and its Affiliates shall, at their own expense and employing counsel of their own choice, control the contest of the portion of the Tax Assessment to the extent relating to matters other than those covered pursuant to clause (I) of this Section 3.5(b)(v)(B);

(C) the Royalty Owner shall diligently prosecute the Royalty Owner Tax Issue and shall consult in good faith with the Grantor regarding the conduct of the Royalty Owner Tax Issue. For greater certainty, the Royalty Owner shall provide the Grantor with copies of all written correspondence with the Governmental Authority, shall reasonably consider any comments made by the Grantor, and shall permit a representative of the Grantor or its Affiliates to attend all meetings;

(D) the Grantor and its Affiliates shall not discontinue or settle the Royalty Owner Tax Issue without the consent of the Royalty Owner, such consent not to be unreasonably withheld, conditioned or delayed, unless the Royalty Owner fails to diligently contest such Royalty Owner Tax Issue, and to the extent that the Grantor or its Affiliates settle the contest without such consent, the indemnity provided herein shall not apply to the matters and issues which are the subject of such settlement (including any matters and issues that have effect in years other than those at issue in the particular Tax Assessment);

(E) the Grantor and its Affiliates shall co-operate with the Royalty Owner in such manner as the Royalty Owner may reasonably request, including providing the Royalty Owner with information and such authorizations as are reasonably requested and/or required by the Royalty Owner to contest the Royalty Owner Tax Issue, provided that the Royalty Owner shall reimburse the Grantor or its Affiliates for any out-of-pocket costs associated with such cooperation; and

(F) notwithstanding the foregoing, the Grantor shall have the right at any time to assume control of the contest of such Royalty Owner Tax Issue, provided that the indemnity provided herein shall not apply to the matters and issues that are the subject of such Royalty Owner Tax Issue where the Grantor exercises its rights pursuant to this Section 3.5(b)(v)(F) (including any matters and issues that have effect in years other than those at issue in the particular Tax Assessment);

(vi) if the Royalty Owner does not elect or is not entitled to contest a Royalty Owner Tax Issue pursuant to Section 3.5(b)(v), the Grantor shall be entitled to assume control of the contest of such Tax Assessment or such Royalty Owner Tax Issue, as the case may be, provided, however, if the Royalty Owner is not entitled to contest all or a portion of such Tax Assessment pursuant to Section 3.5(b)(v), the Grantor or its Affiliates shall promptly provide the Royalty Owner with copies of any correspondence received from the relevant Governmental Authority with respect thereto to the extent relevant, shall provide the Royalty Owner in advance, for comment by the Royalty Owner, drafts of the relevant sections of any submissions that the Grantor proposes to make to such Governmental Authority with respect thereto, and shall reasonably consider any comments made by the Royalty Owner with respect thereto;

(vii) the Grantor and its Affiliates and the Royalty Owner shall co-operate fully with each other with respect to Tax Assessments, and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available); and

(viii) if the Grantor or its Affiliates have received a refund of all or any part of any amount paid by or on behalf of the Royalty Owner with respect to Indemnified Taxes then the Grantor shall:

(A) if the Royalty Owner is then taking its Royalty Share of Bitumen in kind, deposit into the escrow account; or

(B) if the Royalty Owner is not then taking its Royalty Share of Bitumen in kind, pay to the Royalty Owner,

in either case, such refund and any interest received by the Grantor or its Affiliates with respect to such refund (net of any income tax payable thereon) within thirty (30) days after the Grantor's receipt of the amount of such refund.

3.6 Other Tax Matters

Where the Royalty Owner appoints the Grantor as agent pursuant to Section 2.6 or takes the Royalty Share of Bitumen in kind pursuant to Section 2.5, the Parties, acting reasonably, shall assess, review and develop supplementary terms and conditions upon which any sales, use, value-added or other similar taxes are paid, collected and reported by the Parties. Any Dispute in connection with the assessment, review and development of such supplementary terms and conditions shall be resolved pursuant to Article 12.

ARTICLE 4
BOOKS, RECORDS AND AUDIT

4.1 Books and Records

The Grantor will keep and maintain true and correct records and accounts under this Agreement for the conduct of operations, the production of Bitumen from the Royalty Lands and the disposition thereof. To minimize the possibility of inaccurate recording or reporting of transactions, assets or liabilities hereunder, the Grantor will maintain internal controls that, by industry practice, are appropriate.

4.2 Audit

(a) The Grantor will, upon request of the Royalty Owner, permit the Royalty Owner and its Representatives to:

(i) inspect the books, records and accounts specified in Section 4.1 during normal business hours in the Grantor's principal office or its applicable field office;

(ii) make extracts or copies therefrom; and

(iii) audit such records and accounts in accordance with this Section 4.2, including the associated processes and procedures respecting internal controls;

provided that, the Royalty Owner (and if there is more than one of them, the Royalty owners collectively) shall not exercise such rights more than once per calendar year. For greater certainty, once commenced, the Royalty Owner shall be permitted a commercially reasonable amount of time to complete the exercise of such rights.

(b) The Royalty Owner may, upon reasonable Notice to the Grantor and at the Royalty Owner's own expense, audit the books, records and accounts of the Grantor with respect to:

(i) the production of Bitumen from the Royalty Lands (including in order to review the Grantor's compliance with its obligations pursuant to Section 6.2);

(ii) the disposition or sale of such Bitumen or Dilbit; and

(iii) the determination or calculation of the Royalty,

in each case within twenty-four (24) Months next following the end of the applicable calendar year.

(c) Any statement issued by the Grantor to the Royalty Owner respecting the calculation of the Royalty will be presumed to be true and correct twenty-six (26) Months following the end of the calendar year in which that statement was issued, unless the Royalty Owner takes written exception thereto and requests an adjustment pursuant to this Section 4.2(c) within that twenty-six (26) Month period; provided, that such twenty-six (26) month deadline shall be extended to reflect any time period during which any requested information is not promptly provided or any requested access is delayed or denied. If a Party discovers during that period that there was an error in the calculation of the Royalty and can demonstrate that the error applied both to that period and a prior period, the Grantor will make the required adjustment retroactively to either the inception of that error or such other time as the Parties may agree, provided that any Dispute respecting the proposed retroactive adjustment will be resolved pursuant to Article 12. Except to the extent required to confirm the adjustment proposed by the Grantor, the retroactive adjustment contemplated by the previous sentence will not extend the Royalty Owner's audit rights beyond the twenty-four (24) Month limitation provided for in Section 4.2(b).

(d) Notwithstanding the Royalty Owner's obligation to cover the expenses of an audit pursuant to Section 4.2(b), in the event that such audit uncovers a discrepancy which increases the amount of money or volume for the Royalty by more than CAD$250,000 for the period under audit, and such amount is not in Dispute or such Dispute is resolved in the Royalty Owner's favor, the Grantor shall pay to the Royalty Owner, within 10 Business Days of receipt of an invoice for same, the reasonable cost of the audit to which the Claims of discrepancy relate.

4.3 Adjustments

Subject to Section 4.2(c), if the payment made by the Grantor to the Royalty Owner on account of the Royalty for a Month is greater or less than the actual amount thereof required to be paid, the Grantor shall deduct any such overpayment or add any such underpayment to the subsequent payment made by the Grantor to the Royalty Owner on account of the Royalty for the next succeeding Month after the requirement for the adjustment was discovered; provided that, in respect of any such adjustment, the audit right limitations specified in Section 4.2(c) shall be extended to reflect the time period when such adjustment was actually made.

ARTICLE 5
OPERATIONS

5.1 Royalty Owner's Notification

The Grantor will provide the Royalty Lands Information to the Royalty Owner at the time or times specified in Schedule D.

5.2 Proper Practices in Operations

The Grantor will manage the Royalty Lands and conduct all operations, or will ensure all operations are conducted, diligently, in a good and workmanlike manner, in compliance with the Title and Operating Documents and Applicable Law and in accordance with good oilfield practice.

5.3 Exclusive Control and Authority over Operations

As between the Grantor and the Royalty Owner, the Grantor shall have exclusive control and authority over the development and recovery of Bitumen from the Royalty Lands, including making all decisions respecting whether, when and how to conduct all operations in relation to the Royalty Lands. Nothing in this Agreement shall impose any obligation, express or implied, on the Grantor to explore or develop the Royalty Lands. The Grantor and the Royalty Owner further acknowledge and agree that the Royalty Owner shall not be liable for any of the duties or obligations of the Grantor arising under the Title and Operating Documents or in connection with the operations conducted on the Royalty Lands.

5.4 Protection From Liens

(a) The Grantor will pay (or cause to be paid) all costs for goods and services supplied with respect to the Royalty Lands and operations thereon as those costs become due and payable.

(b) Except for the Permitted Encumbrances, the Grantor will keep the Royalty Lands free from liens and encumbrances, unless there is a *bona fide* dispute with respect thereto, in which case the Grantor shall promptly notify the Royalty Owner in writing of any such dispute, setting forth a reasonably detailed description thereof, and consult with the Royalty Owner regarding the resolution of such dispute. Insofar as there is such a *bona fide* dispute, the Grantor will proceed in good faith and with reasonable diligence to resolve that dispute, and will take such other lawful and prudent steps as are reasonably appropriate to protect the Royalty Lands from seizure. For greater certainty, other than any royalties or similar interests that have been granted prior to the date hereof, as applicable, the Grantor shall not grant any royalty or similar interest in and to any of the Royalty Lands to any Third Party without the prior consent of the Royalty Owner, such consent not to be unreasonably withheld.

(c) To the extent affecting the Royalty Lands, the Grantor will not permit any dues or Claims from any Workers' Compensation Board or similar authority established under Applicable Law to become in arrears.

ARTICLE 6
TITLE AND OPERATING DOCUMENT ADMINISTRATION AND ENCUMBRANCES

6.1 Surface Rights and Regulatory Licences

Subject to Section 5.3, the Grantor will acquire, maintain and manage all necessary surface rights and all licences, approvals or other rights of similar nature required under Applicable Law for operations on the Royalty Lands. In fulfilling that obligation, it will conduct such community and stakeholder consultation as is required by Applicable Law and any such additional consultation it reasonably determines is appropriate.

6.2 Maintenance of Title and Operating Documents

Subject to Section 5.3, the Grantor shall comply with all terms and conditions of the Title and Operating Documents, including the payment of rentals, royalties and the performance of all obligations and other actions necessary to maintain the Title and Operating Documents in good standing and in full force and effect.

6.3 Responsibility for Additional Encumbrances

If the Grantor's Working Interest is or becomes encumbered by any royalty, overriding royalty, production payment or other charge or encumbrance of any nature whatsoever, other than the Permitted Encumbrances (which shall be subject to Section 2.2(b)), the Grantor shall be solely responsible for, and shall indemnify and hold harmless Royalty Owner against, any such additional encumbrance.

6.4 Surrender or Expiry of Royalty Lands

(a) Subject to the Title Documents, and subject to the prior compliance by the Grantor with the provisions of this Article 6, the Grantor may surrender any of the Title Documents pertaining to the Royalty Lands, in whole or in part, to the Crown without the prior consent of the Royalty Owner, and subject to any Reacquisition, the Royalty shall cease to apply to such Royalty Lands or portion thereof surrendered except as to matters which occurred prior to the surrender.

(b) If the Grantor intends to surrender to the issuer of the Title Documents or to allow to expire all or a portion of the Title Documents for Royalty Lands (including through the non-performance of any obligation), the Grantor shall give Notice (hereinafter referred to as the "**Surrender/Expiry Notice**") to the Royalty Owner specifying the lands or zones subject to surrender or expiry, which Surrender/Expiry Notice shall be given to the Royalty Owner at least sixty (60) days in advance of the earlier of:

   (i) the date of surrender or expiry, as the case may be; or

   (ii) the date for the performance of any obligation, the non-performance of which would result in the lapse, termination, forfeiture or cancellation of all or a portion of the Title Documents.

   The Royalty Owner shall have the right to elect by Notice to the Grantor, within forty-five (45) days after receipt of the Grantor's Surrender/Expiry Notice, to acquire the Working Interest in all or any portion of the lands or zones affected by the Surrender/Expiry Notice.

(c) To the extent that the Royalty Owner gives Notice to the Grantor that it elects not to acquire all or any portion of the interests specified in the Surrender/Expiry Notice or if the Royalty Owner fails to give Notice pursuant to Section 6.4(b), the Royalty Owner shall be deemed to have consented to the relevant surrender or expiry and the Grantor may surrender or allow to expire those interests specified in the Surrender/Expiry Notice that are not otherwise acquired (or intended to be acquired) by the Royalty Owner pursuant to Section 6.4(d).

(d) If the Royalty Owner gives Notice to the Grantor that it elects to acquire all or any portion of the interests specified in the Surrender/Expiry Notice, the Grantor shall assign or cause its Affiliate to assign, as applicable, such interests (or portion thereof) to the Royalty Owner, free and clear of all encumbrances created by, through and under the Grantor and its Affiliates, other than those Permitted Encumbrances identified in Sections 1.1(ww)(i) through 1.1(ww)(xii), effective as of the date the Royalty Owner elects to acquire such interest, and the Royalty Owner shall as full consideration therefore pay to the Grantor the sum of one dollar (CAD$1.00). Such assignment, however, shall not release the Grantor from any obligation which should have been performed by it or any liability which may have accrued to it prior to that assignment.

(e) Notwithstanding Sections 6.4(a), 6.4(c) and 6.4(d):

(i) the Royalty Lands proposed for surrender by the Grantor must be of such dimensions that the issuer of the Title Documents to which those lands are subject would be obligated to accept the surrender pursuant to the Title Documents or portion remaining after the Royalty Owner's election in Section 6.4(b), as applicable;

(ii) the Grantor may not propose the surrender of a portion of the Royalty Lands while an obligation exists with respect to those lands which cannot be avoided by the surrender or quit claim of those lands to the issuer of the Title Documents to which they are subject; and

(iii) if the Royalty Owner elects to acquire only a portion of the Royalty Lands proposed for surrender, the Royalty Owner shall select those lands in such dimensions so that the lands remaining are of such dimensions that the issuer of the Title Documents would be obligated to accept the surrender of the remaining lands pursuant to the Title Documents.

ARTICLE 7
TRANSFERS

7.1 Transfers by the Royalty Owner

(a) The Royalty Owner may assign, sell, lease, pledge or otherwise transfer (any of the foregoing a "**Transfer**") all or any portion of its Royalty (together with its rights and obligations in and to this Agreement) to any Person without the consent of the Grantor, provided that this Transfer will not be effective unless and until the Grantor has received from the proposed transferee a written assumption agreement whereby such proposed transferee agrees for the benefit of the Grantor to assume all of the obligations and liabilities of the Royalty Owner under this Agreement with respect to the interest assigned.

(b) If the Royalty becomes owned by more than one Person, such owners shall designate one of them to receive (on their behalf) all payments, statements and other communications (including, for certainty, any and all other Notices, reports and other information) required to be supplied by the Grantor to the Royalty Owner under this Agreement in respect of the Royalty. Such designation shall be made by Notice to the Grantor executed by all of such Royalty owners and, until the Grantor receives such Notice, the Grantor shall be entitled to make all payments on account of the Royalty, deliver all statements and all such communications hereunder and otherwise deal in all matters pertaining hereto with the last Person who was the sole owner of the Royalty.

7.2 Transfers by the Grantor

Subject to Section 5.4, the Grantor may Transfer all or any portion of its Working Interest in the Royalty Lands, or any of them, in each case (together with its rights and obligations in and to this Agreement) without the consent of the Royalty Owner, provided that any such Transfer will not be effective unless and until the Royalty Owner has received from the proposed transferee a written assumption agreement whereby such proposed transferee agrees for the benefit of the Royalty Owner to assume all of the obligations and liabilities under this Agreement of the Grantor with respect to the interest assigned.

7.3 Transfers to Affiliates

Notwithstanding any other provision herein, if a Party Transfers (directly or indirectly) an interest, right or obligation in and to this Agreement, to an Affiliate of such assigning Party, such Transfer shall not relieve such assigning Party of any of its obligations under this Agreement. If a Party is a partnership, a Transfer or other reorganization of the general partner interests in such Party shall not relieve the former general partner of any of the obligations of such former general partner so long as it remains an Affiliate of such partnership; such former general partner is to remain jointly and severally liable with the new general partner of that Party.

ARTICLE 8
INFRASTRUCTURE PARTICIPATION OPTION

8.1 Transportation and Storage Infrastructure Projects

This Article 8 sets out the terms and conditions on which the Grantor (together with its Affiliates) shall provide the Royalty Owner with the right to participate in the development or acquisition, and the corresponding ownership, of any and all infrastructure projects proposed, or acquired by, the Grantor or any of its Affiliates on, or in relation to, the Royalty Lands, in respect of the transport of Dilbit from the Royalty Determination Point to the Point of Sale, the transport of Diluent to the CPF or the storage of Bitumen produced from the Royalty Lands or Dilbit containing such Bitumen, as applicable ("**Projects**").

8.2 Right to Participate

(a) The Grantor shall, by written Notice, notify the Royalty Owner of its or its Affiliate's intention to develop or acquire an interest in any and all Projects, including in that Notice (the "**Development Notice**"):

(i) in respect of a Project that is being proposed as a new development by the Grantor or its Affiliates: (A) a description of the Project; (B) the proposed participating interest share in the Project in aggregate of the Grantor and its Affiliates; (C) the estimated capital cost to be incurred in relation to the development and construction of the Project and the class of estimate the capital cost is based on; (D) whether the Grantor or its Affiliate has received interest or commitments from Third Party shippers for transportation or storage service in respect of the Project and the proposed fees to be charged to such Third Party shippers, if then known; and (E) any other information about the terms of the Project that a reasonable and prudent operator would consider material to the exercise of the Royalty Owner's right to participate hereunder having regard for the stage of development of the Project; and

(ii) in respect of a Project that is to be acquired by the Grantor or its Affiliates: (A) a description of the Project; (B) the proposed participating interest share in the Project in aggregate of the Grantor and its Affiliates; (C) the price or other consideration for which the Grantor or its Affiliate is prepared to make such acquisition of the Project; (D) the current fees to be charged to Third Party shippers for transportation or storage service in respect of the Project (if any); (E) any minimum ownership restrictions under existing governing agreements if the Project will be jointly owned with a Third Party; (F) the proposed closing date of such acquisition of the Project; and (G) any other information about the terms of the acquisition agreement that a reasonable and prudent purchaser of an interest in the Project would consider material to the exercise of the Royalty Owner's right to participate hereunder.

(b) The Royalty Owner will be deemed to have elected not to exercise its right to participate in the development or acquisition of a Project, as applicable, to which a Development Notice pertains unless it serves Notice to the Grantor that it elects to participate (a "**Notice of Acceptance**") within thirty (30) days after its receipt of that Development Notice. A Notice of Acceptance shall state the aggregate percentage amount of participating interest in the Project to which a Development Notice pertains that the Royalty Owner elects to acquire, up to a maximum of fifteen percent (15%) of the aggregate participating interest of the Grantor and its Affiliates in such Project. The Notice of Acceptance shall create a binding contractual obligation on the Grantor (together with its Affiliates) and the Royalty Owner to proceed with the development or acquisition, as applicable, of that Project at the participation level selected by the Royalty Owner in the Notice of Acceptance; provided that, the participation of the Royalty Owner in a Project shall be:

(i) on the same terms and conditions that are applicable to the Grantor or its Affiliate, as applicable, in relation to the development or acquisition of such Project; and

(ii) subject to the parties' mutual agreement of the supplementary terms and conditions, as provided in Section 8.4;

provided that the Grantor may decide in its sole discretion to not proceed with the development or acquisition of an interest in a Project that is subject to a Development Notice and which the Royalty Owner elected to participate in in a Notice of Acceptance, and in such event the Grantor shall immediately give written Notice to Royalty Owner of such decision to not proceed with the development or acquisition an interest in a Project and the applicable Development Notice and Notice of Acceptance shall be deemed void and of no force and effect.

(c) If the Royalty Owner elects not to, or is deemed not to, participate in a Project pursuant to and in accordance with Section 8.2(b), then, subject to Section 8.2(d), the Grantor or its Affiliate, as applicable, may commence the development and construction of the Project described in the Development Notice or complete the acquisition of such Project, as applicable, within one hundred and eighty (180) days after the issuance of that Development Notice. Notwithstanding the foregoing, the Grantor may not develop the Project described in the Development Notice or acquire such Project alone or with Third Parties on terms that are, in the aggregate, more favourable than those offered in the Development Notice.

(d) The terms and conditions contained within this Section 8.2 will again apply to the Project described in a Development Notice one hundred and eighty (180) days after its issuance if the development and construction of the Project described in the Development Notice has not commenced, or the acquisition of such Project has not been completed, as applicable, prior to such date.

8.3 The Grantor’s Affiliates

The Grantor shall in all cases cause its Affiliates to comply with the terms of this Article 8.

8.4 Supplementary Terms and Conditions

If the Royalty Owner elects to participate in any Project proposed by the Grantor or its Affiliate pursuant to and in accordance with Section 8.2(b), then the applicable parties shall, acting reasonably, assess, review and develop supplementary terms and conditions upon which the Royalty Owner shall participate in the development and ownership of such Project, including the negotiation and execution of the appropriate governing documentation (construction, ownership and operation agreement, joint acquisition agreement or other agreements of a similar nature) required in the applicable circumstances. In any case, such supplementary terms and conditions shall be consistent with industry standard agreements for the construction (if applicable), ownership and operation of infrastructure projects in Western Canada that are similar to the applicable Project. If the applicable parties, having acted reasonably and in good faith, are not able to reach mutual agreement on such supplementary terms and conditions within thirty (30) days (or such longer period as the applicable parties shall agree) of the Grantor's receipt of the Royalty Owner's Notice of Acceptance required for a Project, then the Royalty Owner shall elect to either: (a) accept the Grantor's or its Affiliate's, as applicable, final offer on those supplementary terms and conditions and proceed with its participation in such Project; or (b) reject the Grantor's or its Affiliate's, as applicable, final offer on those supplementary terms and conditions and cease any further participation in such Project.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 Grantor's Representations and Warranties

The Grantor hereby represents and warrants to the Royalty Owner at and as of the date hereof that:

(a) Standing: The Grantor is a corporation, duly organized and validly subsisting under the laws of the Province of Alberta and is authorized to carry on business in the jurisdictions in which the Royalty Lands are located;

(b) Authority: Subject to applicable court approvals in the CCAA Proceedings, the Grantor has taken all necessary action and has all requisite capacity, power and authority to own and operate its Working Interest in the Royalty Lands, to enter into this Agreement and grant the Royalty to the Royalty Owner, and to perform its obligations under this Agreement;

(c) Execution and Enforceability of Documents: This Agreement has been duly executed and delivered by it and constitutes legal, valid, binding and enforceable obligations of the Grantor subject to the qualification that such enforceability may be subject to:

(i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditor's rights generally; and

(ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);

(d) No Conflicts: The entry into this Agreement and the consummation of the transactions contemplated herein by the Grantor will not violate, constitute a breach of, or conflict with (i) any of the organizational documents of the Grantor or its Affiliates, including, if applicable, any charter or by-laws of the Grantor, (ii) any Applicable Law to which the Grantor or any of its Affiliates is subject or by which any of its assets or properties is bound or affected, or (iii) any contract, instrument, agreement or arrangement to which the Grantor or any of its Affiliates is a party or by which the Grantor or any of its Affiliates or their respective assets are bound (including the Title and Operating Documents);

(e) No Lawsuits or Claims: Except for in respect of the CCAA Proceedings or as otherwise disclosed to the Royalty Owner in the Disclosure Letter, there are no unsatisfied Claims, proceedings, actions, lawsuits or administrative proceedings in existence or threatened by, on behalf of, or against the Grantor or any of its Affiliates, or imposed by any Governmental Authority, whether or not insured which may have an adverse effect on the condition of the Grantor (financial or otherwise) or its interest in the Royalty Lands or the Title and Operating Documents or the ability of the Grantor to complete the transaction contemplated herein or which could reasonably be expected to impair the aggregate value of the Royalty;

(f) Title: The Grantor does not warrant title to the Royalty Lands, but does represent and warrant that, except as set forth in the Disclosure Letter:

(i) none of the Royalty Lands are subject to reduction or conversion to an interest of any other size or nature by reference to payout of any well or otherwise pursuant to any right or interest created by, through or under the Grantor or any of its Affiliates;

(ii) the Royalty Lands are free and clear of all liens, security interests, encumbrances and adverse Claims created by, through or under the Grantor or any of its Affiliates (other than the Permitted Encumbrances);

(iii) except as set forth in Schedule A, the Royalty Lands are not subject to any rights of first offer or rights of first refusal;

(iv) neither the Grantor nor any of its Affiliates has committed any act or omission whereby its interest in and to the Royalty Lands or any part or portion thereof may be cancelled, reduced or terminated; and

(v) neither the Grantor nor any of its Affiliates has received notice from any Third Party claiming an interest in and to any of the Royalty Lands adverse to the interest of the Grantor;

(g) Title and Operating Documents:

(i) Schedule A sets forth a description of all Title and Operating Documents relating to the Royalty Lands. The Grantor has provided the Royalty Owner with copies of or access to each Title and Operating Document, including any amendments, modifications or supplements thereto, which copies are true, correct and complete in all material respects;

(ii) the Grantor is the sole registered holder of the Leases;

(iii) the Grantor has the exclusive right to exercise all of the rights and is entitled to all of the interests of the registered holder provided for in the Leases, for its own account, including the right to drill for, win, take, own or remove Bitumen within, upon or under the Royalty Lands; and

(iv) to the knowledge of the Grantor, the Title and Operating Documents are legal, valid and binding and in full force and effect;

(h) Sale Contracts: The Disclosure Letter sets forth a description of all rights of any Third Party to purchase Bitumen (or Dilbit) produced from the Royalty Lands as of the date of this Agreement that are not terminable, at any time, on Notice of ninety (90) days' or less without an early termination penalty or other cost;

(i) Compliance: The Grantor is in compliance with, is performing, observing and satisfying each term, condition, obligation and liability to which it is subject under Applicable Law or any of the Title and Operating Documents and has not received notice of any alleged non-compliance with any such term, condition obligation or liability where such non-compliance has not been remedied in all material respects;

(j) Default: Except as in respect of the CCAA Proceedings, to the extent applicable to the Royalty Lands, none of the Grantor or any of its Affiliates is, nor, to the knowledge of the Grantor, is any Third Party, in default under any obligation, contract, agreement, document, order, writ, injunction or decree of any court or of any commission or administrative agency and has not received notice of any such default;

(k) Environmental Matters: The Grantor is not aware of, nor has it or any of its Affiliates received:

(i) any orders or directives under Applicable Law relating to Environmental Liabilities which remain outstanding as of the date hereof, and that require any further work, repairs, construction or capital expenditures; or

(ii) any demand or notice under Applicable Law or the Title and Operating Documents that has been made or filed by any Governmental Authority or Third Party having to do with any Environmental Liabilities or environmental damage or injury relating to the Royalty Lands or alleged damage or injury, which remains outstanding as of the date hereof; and

(l) All Oil Sands Assets: The Royalty Lands collectively cover all the known in situ oil sands (including Crude Bitumen hosted in carbonate rocks) assets owned by the Grantor and its Affiliates, or any of them, as of the date hereof.

9.2 Royalty Owner's Representations and Warranties

The Royalty Owner hereby represents and warrants to the Grantor, at and as of the date hereof that:

(a) Standing: The Royalty Owner is a limited liability company duly organized and validly subsisting under the laws of its jurisdiction of formation and is duly registered and authorized to carry on business in the jurisdictions in which the Royalty Lands are located;

(b) Authority: The Royalty Owner has taken all necessary action and has all requisite capacity, power and authority to own and hold the Royalty, to enter into this Agreement, and to perform its obligations under this Agreement;

(c) Execution and Enforceability of Documents: This Agreement has been duly executed and delivered by it and constitutes legal, valid, binding and enforceable obligations of the Royalty Owner subject to the qualification that such enforceability may be subject to:

(i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditor's rights generally; and

(ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);

(d) No Conflicts: The entry into this Agreement and the consummation of the transactions contemplated herein by the Royalty Owner will not violate, constitute a breach of, or conflict with (i) any of the organizational documents of the Royalty Owner, including, if applicable, any charter or by-laws of the Royalty Owner, (ii) any Applicable Law to which the Royalty Owner is subject, or (iii) any contract, instrument, agreement or arrangement to which the Royalty Owner or any of its Affiliates is a party or by which the Royalty Owner is bound;

(e) No Lawsuits or Claims: There are no unsatisfied Claims, proceedings, actions, lawsuits or administrative proceedings in existence or threatened by, on behalf of, or against the Royalty Owner, or imposed by any Governmental Authority, whether or not insured which may have an adverse effect on the ability of the Royalty Owner to complete the transaction contemplated herein; and

(f) Regulatory Approval: No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by Royalty Owner of this Agreement or any other documents or agreements delivered in connection herewith, other than authorizations, approvals or exemptions from requirements therefor, previously obtained and currently in force.

ARTICLE 10
LIABILITY AND INDEMNITY

10.1 Grantor's Responsibility

The Grantor will:

(a) be liable to the Royalty Owner for the Royalty Owner's Losses and Liabilities; and

(b) as a separate covenant indemnify and hold harmless the Royalty Owner and its Representatives from and against all Claims, Losses and Liabilities that may be brought against them or which they may otherwise suffer, sustain, pay or incur;

in each case, to the extent that any such Claims and Losses and Liabilities arise out of, result from or are related to: (i) any act, omission, circumstance or other matter (whether negligent or otherwise) arising out of, resulting from, attributable to, or connected with the operations or activities conducted by the Grantor, its Representatives or contractors, or other Persons acting on behalf of the Grantor on the Royalty Lands; (ii) any Environmental Liability; or (iii) any breach of a provision herein by the Grantor or a breach of any representation and warranty made herein by the Grantor.

10.2 Royalty Owner's Responsibility

The Royalty Owner will:

(a) be liable to the Grantor for the Grantor's Losses and Liabilities; and

(b) as a separate covenant indemnify and hold harmless the Grantor and its Representatives from and against all Claims, Losses and Liabilities that may be brought against them or which they may otherwise suffer, sustain, pay or incur;

in each case, to the extent that any such Claims and Losses and Liabilities arise out of, result from or are related to any act, omission, circumstance or other matter (whether negligent or otherwise) arising out of, resulting from, attributable to, or connected with any breach of a provision herein by the Royalty Owner or a breach of any representation and warranty made herein by the Royalty Owner, other than with respect to any matters addressed by Section 3.5(b)(i) which shall be governed solely by Section 3.5(b).

ARTICLE 11
DEFAULT

11.1 Royalty Owner's Default Remedies

If the Grantor fails to pay when due the Royalty or any other amount required to be paid to the Royalty Owner by the Grantor hereunder (a "**Payment Default**"), in addition to, and without limiting, any other rights or remedies of the Royalty Owner under this Agreement or otherwise under Applicable Law, the Royalty Owner may, at its option, exercise the Payment Default remedies set out in Sections 11.2 and 11.3, as applicable.

11.2 Interest on Payment Default

(a) In the event of a Payment Default, the Royalty Owner may charge the Grantor compound interest, calculated and accrued Monthly, with respect to such unpaid amount, from the day such payment was due until the day it is paid, at the applicable percentage rate (identified below) per annum of:

  (i) the Prime Rate from the day such payment was due until the day upon which the Payment Default was discovered; and

  (ii) four percent (4%) over the Prime Rate from the day upon which the Payment Default was discovered until the day such payment is made;

  provided that, if the Payment Default is due to the negligence of the Grantor, then, notwithstanding Section 11.2(a)(i), the Royalty Owner will charge the Grantor interest on the portion of the amount owed that was attributable to such negligence at a percentage rate per annum of four percent (4%) over the Prime Rate from the day such payment was due until the day upon which such Payment Default was discovered.

(b) Notwithstanding Section 11.2(a), if the Payment Default is in relation to a deliberate, unexcused breach by the Grantor, the Royalty Owner will charge the Grantor compound interest, calculated and accrued Monthly, with respect to such unpaid amount, at a percentage rate per annum of fifteen percent (15%) over the Prime Rate from the day such payment was due until the day upon which such payment is made. For the purposes of this Section 11.2(b), without restricting or otherwise limiting any other facts or circumstances that could give rise to a finding of a deliberate, unexcused breach by the Grantor, a Payment Default will be deemed to be a deliberate, unexcused breach by the Grantor if: (i) the fact, circumstance, or reason why the Grantor claims the Payment Default is not owed, or why the Grantor has not otherwise paid the Payment Default amount, would, in either case, be reasonably considered to be a claim that is tantamount to an "abuse of process" under the *Uniform Law Conference of Canada, "Uniform Prevention of Abuse of Process Act (2010)"*; or (ii) the Grantor is fully aware of its obligation to make the payment in question, and notwithstanding the absence of any *bona fide* reason entitling the Grantor to not make that payment, the Grantor nonetheless refuses to make it without justification.

(c) The interest rates set out in Sections 11.2(a) and 11.2(b) shall prevail regardless of whether the Royalty Owner has notified the Grantor in advance of its intention to charge interest with respect to such unpaid amount. The obligation to pay interest is to apply until such Payment Default is rectified and shall not merge into a judgement for principal and interest, or either of them, and the Grantor waives the application of any Applicable Law to the contrary where permitted by Applicable Law.

(d) Any and all payments made by the Grantor to the Royalty Owner in respect of Payment Defaults shall be collected and applied to the Payment Default accruing interest at the lowest rate in accordance with this Section 11.2.

11.3 Other Remedies on Payment Default

In the event of a Payment Default, at any time after thirty (30) days following receipt or deemed receipt by the Grantor of Notice specifying the Payment Default, and without limiting the Royalty Owner's other rights at law or in equity, the Royalty Owner shall be entitled to:

(a) treat the default as an immediate and automatic assignment to the Royalty Owner of the proceeds of the sale of the Grantor's share of Bitumen produced from, deemed to be produced from or allocated to the Royalty Lands and require the purchaser of the Grantor's share of Bitumen to make payment therefor to the Royalty Owner while the default continues;

(b) exercise the Lien and take possession of all or any part of the interest of the Grantor in the Royalty Lands or in all or any part of the production of Bitumen produced from, deemed to be produced from or allocated to the Royalty Lands or the equipment thereon; and the Royalty Owner may sell and dispose of any such interest, production or equipment of which it has so taken possession either in whole or in part, in separate parcels at public auction or by private tender, at such times and on whatever terms it shall arrange, having first given Notice to the Grantor of the time and place of the sale, and in such event:

    (i) the proceeds of the sale shall be first applied by the Royalty Owner in payment of the amounts which are owing to the Royalty Owner, and any balance remaining shall be paid to the Grantor after deducting reasonable costs of enforcement and of the sale including, without limitation, losses incurred in making the Bitumen marketable, any transportation costs and any attorneys' fees (on a full indemnity basis); and

    (ii) any sale made as aforesaid shall be a perpetual bar both at law and in equity against the Grantor and its assigns and against all other Persons claiming the Royalty Lands, the production of Bitumen produced from, deemed to be produced from or allocated to the Royalty Lands or the equipment thereon, or any part or parcel thereof sold as aforesaid by, from, through or under the Grantor or its assigns;

(c) set-off any amount owing to the Royalty Owner against any other monies that may from time to time be owing by the Royalty Owner or the Royalty Owner's Affiliates to the Grantor or any of its Affiliates; and

(d) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid by the Grantor, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of the Grantor to set-off or counterclaim.

11.4 Service of Copy of Agreement to Constitute Notice

Service of a copy of this Agreement upon any purchaser of Bitumen or Dilbit together with written Notice from the Royalty Owner shall constitute written authorization on the part of the Grantor for such purchaser to pay the Royalty Owner the proceeds from any sale or sales of the Grantor's share of Bitumen or Dilbit, up to the amount owed to the Royalty Owner by the Grantor, and such purchaser is authorized to rely solely upon the statement of the Royalty Owner as to the amount owed to the Royalty Owner by the Grantor.

ARTICLE 12
DISPUTE RESOLUTION

12.1 Dispute Resolution

(a) The Parties will first attempt to resolve any Dispute arising under this Agreement through consultation and negotiation in good faith. If those attempts fail, the Parties will then attempt to resolve that Dispute through mediation under the *Canadian Mediation Rules of the International Centre for Dispute Resolution Canada*, with costs of the mediation being shared equally by the Parties. Notwithstanding the foregoing, either Party to a Dispute may terminate the applicable consultation, negotiation or mediation at any time upon reasonable Notice to the other Parties.

(b) Subject to Section 12.1(a), any and all Disputes will be finally settled by binding arbitration from which there will be no appeal, and the arbitration will be in accordance with the *International Commercial Arbitration Act* (Alberta). The arbitration shall be commenced by either Party delivering a written complaint to the opposing Party, describing the matter of the Dispute. Except as provided otherwise in this Article 12, the arbitration shall be governed by the UNCITRAL Arbitration Rules. The place of the arbitration will be Toronto, Canada.

(c) All arbitrated Disputes, where the value allocated to such Dispute (as estimated by the Parties, acting reasonably) is less than ten million dollars (CAD$10,000,000), will be determined by one (1) arbitrator. If the Parties cannot mutually agree on the appointment of an arbitrator within ten (10) days of the commencement of a Dispute, then the appointing authority of the arbitrator will be the Alberta Court of Queen's Bench. Notwithstanding the foregoing provisions, if the value allocated to such Dispute (as estimated by the Parties, acting reasonably) is greater than or equal to ten million dollars (CAD$10,000,000), the Parties shall each select one (1) arbitrator, and the two (2) arbitrators shall jointly select a third (3rd) arbitrator to create a panel of three (3) arbitrators for the hearing of such Dispute. If one of the Parties fails to cooperate in good faith to expeditiously appoint an arbitrator pursuant to the provisions of this Section 12.1(c), and in any event no later than ten (10) days after the commencement of a Dispute, either Party may apply to the Alberta Court of Queen's Bench for the appointment of an arbitrator or arbitrators, as applicable.

(d) In order to qualify as an arbitrator hereunder, a Person must be independent of the Parties, and be qualified by education, training, knowledge or experience to pass judgment on the Dispute. The validity, construction, and interpretation of the Parties' agreement to arbitrate, and all procedural aspects of the arbitration conducted pursuant to the Parties' agreement to arbitrate, including the scope of the Parties' agreement to arbitrate and the determination of the issues that are subject to arbitration shall be decided by the arbitrator or arbitrators, as applicable, selected in accordance with Section 12.1(c) (in either case, the

"**Tribunal**"). The Tribunal shall have the power to award all remedies available under Applicable Law, except that the Tribunal shall have no power to award any remedy excluded by this Agreement, regardless of whether such remedy would be available under Applicable Law. Subject to any relevant legal privilege against disclosure, the Tribunal shall have the power to make all appropriate orders necessary for disclosure, such orders the Parties consent in advance to obey.

(e) Any arbitration hereunder shall be confidential, and the Parties and their agents agree not to disclose to any Third Party the existence or status of the arbitration and all information made known and documents produced in the arbitration not otherwise in the public domain, and all awards arising from the arbitration, except and to the extent that disclosure is required by Applicable Law or is required to protect or pursue a legal right.

(f) The Tribunal shall have the power to award attorney's fees, costs and related expenses to such extent and to such Parties as it sees fit.

(g) The award of the Tribunal shall be final and binding on the Parties thereto and judgment thereon may be entered or enforced in any court of competent jurisdiction.

ARTICLE 13
GENERAL

13.1 Further Assurances

Each Party will (and will cause its Affiliates to) from time to time, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

13.2 Governing Law

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. Subject to Article 12, each Party irrevocably attorns and submits to the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

13.3 Notices

The addresses for service and electronic mail (Email) transmission of the Parties shall be as follows:

Royalty Owner:

Burgess Energy Holdings, L.L.C.
[redacted]

Attention: [redacted]
Email:

With a copy to:

[redacted]

Attention: [redacted]
Email:

[redacted]

Attention: [redacted]
Email:

Grantor:

Connacher Oil and Gas Limited
Suite 1040, 640 5th Avenue SW
Calgary, Alberta, Canada
T2P 3G4

Attention: Jeff Beeston
Email: jbeeston@connacheroil.com

With a copy to:

Cassels Brock & Blackwell LLP
Suite 1250, Millennium Tower
440 - 2nd Avenue SW
Calgary, AB
T2P 5E9

Attention: Keith Templeton
Email: ktempleton@casselsbrock.com

All notices, communications and statements required, permitted or contemplated in this Agreement ("**Notice**") shall be in writing, and shall be delivered and received:

(a) if personally served on the other Party by hand delivery or courier delivery, such Notices so served shall be deemed to be received by the other Party:

(i) on the date of delivery if delivered within the normal working hours of a Business Day; or

(ii) if delivered outside the normal working hours of a Business Day, at the commencement of the next ensuing Business Day following delivery thereof; or

(b) if served by Email directed to the other Party on whom they are to be served at that Party's Email address, as applicable above, such Notices shall reference in the subject line "CONNACHER/BEH ROYALTY NOTICE" and shall be deemed to have been received by the other Party:

(i) on the date of electronic transmission if the electronic transmission is sent, with receipt confirmation, within the normal working hours of a Business Day; or

(ii) if the electronic transmission is sent, with receipt confirmation, outside the normal working hours of a Business Day, on the next ensuing Business Day following transmission thereof.

A Party may from time to time change its address for service or Email address by giving Notice of such change to the other Party.

13.4 Appointment of Designee

The Royalty Owner, upon Notice given to the Grantor, may, at any time and from time to time, appoint a Designee for the purposes of exercising any and all rights and responsibilities of the Royalty Owner under this Agreement, including the right to receive production information, Royalty funds, Royalty calculation statements, Notices and otherwise carry out the obligations of the Royalty Owner hereunder for and on behalf of the Royalty Owner; provided that, prior to any confidential information being disclosed or any payments being advanced to any

Designee, as applicable, such Designee shall have agreed in writing to acknowledge, observe and comply with the confidentiality obligations and restrictions contained in Section 13.7.

13.5 Entire Agreement

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party. This Agreement, together with the Confidentiality Agreement, supersedes all other agreements, documents, writings and verbal understandings between the Parties relating to the subject matter hereof, and expresses the entire agreement of the Parties with respect to the subject matter hereof.

13.6 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, receiver-managers, successors and permitted assigns.

13.7 Confidentiality

(a) Each Party shall keep, and shall cause its Affiliates to keep, confidential all confidential information obtained from the other Party and shall not, and shall cause its Affiliates to not, release any information concerning this Agreement, the transaction contemplated herein, or the identity of the Parties, any of their Affiliates or any direct or indirect beneficial owners thereof, in each case without the prior written consent of the other Party, except:

(i) to the extent required by any Governmental Authority, any Applicable Law or the rules of any recognized stock exchange or securities commission with jurisdiction over a Party, or as required pursuant to the CCAA Proceedings;

(ii) to the extent required to be disclosed in any securities filing or other disclosure to any Governmental Authority;

(iii) to its financial, legal, taxation or other similar advisors in connection with the completion of the transaction contemplated herein provided that any such Persons are required to comply with the confidentiality provisions hereof or are otherwise bound by a professional duty of confidentiality to the disclosing Party;

(iv) to potential bidders and/or purchasers of an interest in the Royalty or the Royalty Lands that will, if such sale is completed, acquire an interest in the Royalty or the Royalty Lands subject to this Agreement (and their representatives and advisors on a need to know basis); provided that, any such Persons (other than advisors who are already bound by a professional duty of confidentiality to the disclosing Party) are required to comply with the confidentiality provisions hereof; or

(v) the disclosure of this Agreement (subject to the Royalty Owner's contact information set out in Section 13.3 having been redacted to maintain confidentiality prior to such disclosure) to the Parties' respective consultants, financial, legal, taxation and other similar advisors, engineers, accountants, bankers, lenders, potential lenders, investors and potential investors, on a need to know basis, in connection with the evaluation, appraisal or assessment of such Party's business, finances or assets, including such Party's ongoing obligations under this Agreement; provided that, any such Persons (other than advisors who are already bound by a professional duty of confidentiality to the disclosing Party) are required to comply with the confidentiality provisions hereof;

provided that, in the circumstances set out in Sections 13.7(a)(i) and 13.7(a)(ii), the Parties shall cooperate with and advise each other in advance of any public statement or disclosure which they propose to make;

and provided further that if such disclosure is required or deemed advisable, the Parties shall cooperate with any attempt to obtain an order or other reliable assurance that confidential treatment will be accorded to designated portions of such information.

(b) For greater certainty, the obligations contained in Sections 13.7 and 13.8 of this Agreement are in addition to and not in substitution for the obligations contained in the Confidentiality Agreement.

13.8 Public Announcements

No public announcement or press release by a Party or any of its Affiliates concerning the transaction contemplated herein or in relation to the subject matter hereof shall identify the name of the other Party (or any of its Affiliates or any direct or indirect beneficial owners thereof). A Party which proposes to make, or allow its Affiliate to make, any such public disclosure shall provide the other Party with a draft of such statement at least one (1) full Business Day prior to its release to enable the other Party to review such draft and advise that Party of any comments it may have with respect thereto.

13.9 Waivers

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or future exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provisions of this Agreement, including this Section 13.9, shall be effective other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver. Where a provision of this Agreement provides that an action must be taken, or a right or remedy must be exercised within or by a specified time, nothing in this Section 13.9 shall be construed or operate so as to extend, waive or render inoperative such time constraint.

13.10 Costs and Expenses

Unless otherwise provided for in this Agreement, all fees, costs and expenses incurred in connection with the transaction contemplated herein shall be paid by the Party incurring such cost or expense.

13.11 Counterpart Execution

This Agreement may be executed in as many counterparts as are necessary, and by facsimile or other electronic means (including pdf), no one copy of which need be executed by the Parties. A valid and binding contract shall arise if and when all execution pages have been both executed and delivered by the Parties in the manner provided herein.

[signature page to follow]

IN WITNESS WHEREOF this Agreement is executed as of the date first above written.

CONNACHER OIL AND GAS LIMITED

Per: [redacted]
Name:
Position:

BURGESS ENERGY HOLDINGS, L.L.C., by: **DR CAPITAL MANAGEMENT, L.L.C.**, its Managing Member

Per: [redacted]
Name:
Position:

SCHEDULE A

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

ROYALTY LANDS; TITLE AND OPERATING DOCUMENTS

Part I (Schedule A) – Producing Royalty Lands and Related Mineral Title Documents

(Attached)

Part II (Schedule A) – Non-Producing Royalty Lands and Related Mineral Title Documents

(Attached)

Part III (Schedule A) – Surface Rights

(Attached)

Part IV (Schedule A) – Operating Documents

SCHEDULE B

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

<u>SLIDING SCALE ROYALTY RATES</u>

Producing Royalty Lands Sliding Scale Royalty Rate Calculation
Sliding Scale Royalty Rate = 2.50% + (0.156% x (Benchmark Reference Price – 60)) For greater certainty, if, for example: (a) the Benchmark Reference Price is US$61, then the Sliding Scale Royalty Rate = 2.50% + (0.156% x (61 – 60)) = 2.656%; (b) the Benchmark Reference Price is US$75, then the Sliding Scale Royalty Rate = 2.50% + (0.156% x (75 – 60)) = 4.840%; (c) the Benchmark Reference Price is US$150, then the Sliding Scale Royalty Rate is initially calculated as = 2.50% + (0.156% x (150-60)) = 16.54%. However, pursuant to Section 1.1(rrr)(i)(B), the Sliding Scale Royalty Rate is capped at 15%. Accordingly, in this example the Sliding Scale Royalty Rate = 15%.

Non-Producing Royalty Lands Sliding Scale Royalty Rate Calculation
Sliding Scale Royalty Rate = 2.50% + (0.156% x (Benchmark Reference Price – 70)) For greater certainty, if, for example: (a) the Benchmark Reference Price is US$71, then the Sliding Scale Royalty Rate = 2.50% + (0.156% x (71 – 70)) = 2.656%; (b) the Benchmark Reference Price is US$85, then the Sliding Scale Royalty Rate = 2.50% + (0.156% x (85 – 70)) = 4.840%; (c) the Benchmark Reference Price is US$160, then the Sliding Scale Royalty Rate is initially calculated as = 2.50% + (0.156% x (160-70)) = 16.54%. However, pursuant to Section 1.1(rrr)(ii)(B), the Sliding Scale Royalty Rate is capped at 15%. Accordingly, in this example the Sliding Scale Royalty Rate = 15%.

SCHEDULE C

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

DILBIT EQUIVALENCY PRICE CALCULATION

1. Dilbit Equivalency Price Calculation

Dilbit Equivalency Price = Current Month BRP – Previous Month RPD

where:

Previous Month RPD = Previous Month BRP – Previous Month AGSP

2. Definitions

Capitalized words used in this Schedule C have the meaning ascribed to them below or in the body of the Agreement to which this Schedule is attached.

(a) "**CAD Equivalent Benchmark Reference Price**" means, for the Benchmark Reference Grade, the prevailing reference price most commonly quoted and used by traders in North America (converted to a Monthly average price and expressed as CAD$/bbl); which, as at the date hereof, is determined as the sum of (i) the Monthly average daily settlement prices (expressed as CAD$/bbl) for prompt Month NYMEX Light Sweet Crude for the applicable Month; and (ii) the final price at which the prompt Month futures contract for the Canadian Heavy Crude Oil Index (Net Energy), as quoted by the CME Group in US$/bbl (but converted for these purposes to CAD$/bbl), is actually settled for the applicable Month; and provided further that, for greater certainty, the current Bloomberg Ticker for prompt month NYMEX Light Sweet Crude is CL1 Comdty and the current Bloomberg Ticker for the CME Group contract on the Canadian Heavy Crude Oil Index (Net Energy) is WCC "X" "Y" Index where “X” is the respective Month code and “Y” is the respective year code.

(b) "**Current Month BRP**" means the CAD Equivalent Benchmark Reference Price for that Month.

(c) "**Previous Month AGSP**" means the actual gross sales price (volume-weighted, converted to a Monthly average price, and expressed in CAD$ on a per barrel of Dilbit basis) received by the Grantor from Third Parties on an arm’s-length basis at the Point of Sale for the sales of Dilbit containing Bitumen produced from the Royalty Lands for the immediately preceding Month.

(d) "**Previous Month BRP**" means the CAD Equivalent Benchmark Reference Price for the immediately preceding Month.

3. Illustrative Dilbit Equivalency Price Calculation Example

Attached.

[redacted]

SCHEDULE D

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

ROYALTY LANDS INFORMATION

Production Information:

Within three (3) Business Days of the end of each Month, the Grantor shall:

(a) provide the Royalty Owner with Notice of the Grantor's estimate of the Royalty Share of Bitumen Equivalent (Royalty Payment) or the Proceeds of Sale, as applicable, applicable to the immediately preceding Month, with Notice of the actual Royalty Share of Bitumen Equivalent (Royalty Payment) or the Proceeds of Sale, as applicable, to be provided not later than three (3) Business Days following the 25th day of that Month, together with reasonable supporting documentation, in either case, to allow the Royalty Owner to substantiate the calculations made by the Grantor to arrive at the stated Royalty Share of Bitumen Equivalent (Royalty Payment) or the Proceeds of Sale, as applicable, for such applicable Month; provided that the Royalty Owner may elect to receive the information and materials described above on a less frequent basis (than Monthly) subject to the consent of the Grantor, such consent not to be unreasonably withheld or delayed; and

(b) if requested by the Royalty Owner, provide the Royalty Owner with a copy of all reports the Grantor is required to submit under Applicable Law for the production of Bitumen from the Royalty Lands.

Title and Operating Documents, Material Correspondence to be Sent to Royalty Owner:

The Grantor shall provide the Royalty Owner in a timely manner, and in any event no later than three (3) Business Days after receipt or delivery thereof, with copies of any and all correspondence regarding oil sands permit, license or lease renewal, extension, continuation or similar applications sent to or received from the issuer of a Title and Operating Document, notices to rectify any default sent by the issuer of a Title and Operating Document, any other decision required to be made pertaining to the Title and Operating Documents or any other material correspondence relating to the Royalty Lands and the Title and Operating Documents, or either of them.

SCHEDULE E

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

<u>EXISTING LENDER SECURITY GOVERNED BY COURT ORDER</u>

SCHEDULE F

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

SUBORDINATION AGREEMENT

SCHEDULE G

attached to and made part of the Royalty Agreement (Alberta Assets) made on the 29th day of January, 2018 between Connacher Oil and Gas Limited and Burgess Energy Holdings, L.L.C.

COURT ORDER

CONFIDENTIAL EXHIBIT "1"

This is Exhibit "1"
referred to in the affidavit of
Merle Johnson
sworn before me this 22
day of January, 2018.

R Cstk

A Commissioner for Oaths in and for Alberta
Richard Evert Comstock
My commission expires on
September 21, 2018