

ROYALTY AGREEMENT

THIS ROYALTY AGREEMENT is dated the 23rd day of September, 2009

AMONG:

- ✓ **Redwater Energy Corp.** a body corporate, having an office in the Town of Okotoks in the Province of Alberta (hereinafter referred to as "**Royalty Payor**")

- and -

Aerial Land Services Ltd. having an office in the Town of Okotoks, in the Province of Alberta (hereinafter referred to as "**Aerial**")

- and -

Laeken Resources Inc., having an office in the Town of Cochrane, in the Province of Alberta (hereinafter referred to as "**Laeken**")

- and -

Cyr's Energy Services Ltd., having an office in the Town of Carstairs, in the Province of Alberta (hereinafter referred to as "**Cyr's**")

- and -

1027344 Alberta Ltd., having an office in the City of Edmonton, in the Province of Alberta (hereinafter referred to as "**1027344**")

- and -

Lost In Space Inc., having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Lost In Space**")

(collectively hereinafter referred to as "**Royalty Owner**")

The Royalty Payor hereby agrees to grant a gross non-convertible overriding royalty to the Royalty Owner in respect of the Royalty Lands. In consideration of the covenants and agreements set forth and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties have agreed as follows:

1. INTERPRETATION

- 1.1 In this Head Agreement, unless otherwise defined below, each capitalized term shall have the meaning given to it pursuant to Clauses 1.01 and 1.02 of the Overriding Royalty Procedure and, in addition:

a) **"Overriding Royalty Procedure"** means the 1997 CAPL Overriding Royalty Procedure attached as Schedule "B", subject to any revisions specifically identified therein.

b) **"Royalty Owner"** means Laeken Resources Inc. ("Laeken"), Cyr's Energy Services Ltd. (Cyr's), 1027344 Alberta Ltd. ("1027344"), Lost in Space Inc. ("Lost in Space") and Aerial Land Services Ltd. ("Aerial") in the interests set out in Clause 4.2 of this Agreement.

2. SCHEDULES

The following Schedules are attached to and form part of this Agreement:

- (a) Schedule "A" which sets forth and describes the Title Documents and the Royalty Lands; and
- (b) Schedule "B" which is the Overriding Royalty Procedure.

3. EFFECTIVE DATE

This Agreement shall be effective on the Effective Date and shall in all respects be interpreted as if executed and delivered by the Parties on that date.

4. OVERRIDING ROYALTY AND OVERRIDING ROYALTY PROCEDURE

- 4.1 Effective from and after the Effective Date, the Overriding Royalty is granted by the Royalty Payor to the Royalty Owner as an interest in the Petroleum Substances within, upon, or under the Royalty Lands and shall be calculated in accordance with the provisions of Article 2.00 of the Overriding Royalty Procedure.

- 4.2 The interests of the Royalty Owners on the Royalty Lands, are expressed in undivided interests as follows:

Laeken	19.049%
Cyr's	19.049%
1027344	19.049%
Lost In Space	19.049%
Aerial	23.804%

- 4.3 From and after the Effective Date, the Overriding Royalty Procedure, as amended by this Head Agreement, shall apply and shall govern the relationship and the respective rights and obligations of the Parties with respect to the matters set forth therein.

- (a) In this Agreement, The addresses for service of notices of the Parties shall be as follows:

Royalty Owner

LAOKEN RESOURCES INC. Site 5, Box 15, R.R. 1 Cochrane, AB T4C 1A1	LOST IN SPACE INC. Suite 1600, 333 – 7 th Avenue S.W. Calgary, AB T2P 2Z1
CYR'S ENERGY SERVICES LTD. R.R. 2 Carstairs, AB T0M 0N0	Aerial Land Services Ltd. 17 Oak Avenue Okotoks, AB T1S 1K6
1027344 ALBERTA LTD. 10605 – 172 nd Street Edmonton, AB T5S 1P9	

Royalty Payor

Redwater Energy Corp.
17 Oak Avenue
Okotoks, AB
T1S 1K6

5. LIMITATIONS ACT

The two-year period for seeking a remedial order under section 3(1)(a) of the Limitations Act, R.S.A. 2000 C. L-12, as amended, for any claim (as defined in that Act) arising in connection with this Agreement is extended to:

- (a) for claims disclosed by an audit, two years after the time this Agreement permitted that audit to be performed; or
- (b) for all other claims, four years.

6. GOVERNING LAW AND ATTORNEMENT

Notwithstanding Clause 2805 of the 1990 CAPL Operating Procedure (which is incorporated by Clause 1.02 of the Overriding Royalty Procedure), this Agreement and the relationship of the Parties with respect to the Royalty Lands shall be governed and construed in accordance with the laws in effect in the Province of Alberta, provided that this does not affect the obligations of the Parties to comply with the Regulations applicable to the Title

Documents or the Royalty Lands that are located outside the Province of Alberta, if any. The Parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta and any courts of appeal therefrom with respect to any matter or thing arising under or related to this Agreement or the Royalty Lands.

7. MISCELLANEOUS

7.1 The headings of the sections of this Head Agreement are for reference only, and will not be used in interpreting any provision herein.

7.2 In this Head Agreement, singular, masculine or neuter words will be construed as including the plural or feminine or corporate and vice versa, as the context requires, and the reference "herein" refers to the provisions of this Head Agreement.

7.3 The Parties shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

7.4 This Agreement shall endure to the benefit of and be binding upon the respective administrators, trustees, receivers, successors and assigns of the Parties.

7.5 The terms and conditions of this Agreement express and constitute the entire agreement among the Parties with respect to the Royalty Lands and the Title Documents.

7.6 This Agreement supersedes all other agreements, representations, documents, writings and understandings among the Parties relating to the Royalty Lands and the Title Documents.

7.7 This Head Agreement may be executed in counterpart and all executed counterparts, together, shall constitute one agreement.

IN WITNESS WHEREOF the Parties have executed this Head Agreement.

Royalty Owner	
AERIAL LAND SERVICES LTD. 	LAOKEN RESOURCES INC.
Gary Waters, President	Terrance Morey, President
CYR'S ENERGY SERVICES LTD. 	1027344 ALBERTA LTD.
Leon Cyr	Brian Fitzgerald
LOST IN SPACE INC.	
Date Burstall	

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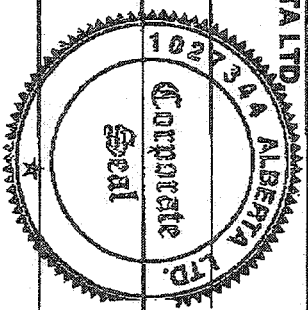
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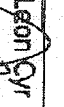
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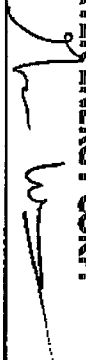
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CVR'S ENERGY SERVICES LTD.	1027344 ALBERTA LTD.
	
Leon Cyr	Brian Fitzgerald
LOST IN SPACE INC.	
	
Dale Burstall	

<u>Royalty Payor</u>	
REDWATER ENERGY CORP. 	
Gary Waters, President	

SCHEDULE "A"

Attached to and forming a part of a Royalty Agreement dated the 23rd day of September, 2009 and made among Laeken Resources Inc., Cyr's Energy Services Ltd., 1027344 Alberta Ltd., Lost in Space Inc., Aerial Land Services Ltd. and Redwater Energy Corp.

Royalty Lands

TITLE DOCUMENTS	ROYALTY LANDS	ROYALTY OWNER'S WORKING INTEREST
CR P&NG Lease No. 0408040143 (Expiry Date: April 2, 2013)	Twp 55, Rge 21 W4M: Lsds. 9, 15 & 16 of Section 24 (All P&NG)	100% (Subject to Overriding Royalty)

SCHEDULE "B"

Attached to and forming a part of a Royalty Agreement dated the 23rd day of September, 2009 and made among Laeken Resources Inc., Cyr's Energy Services Ltd., 1027344 Alberta Ltd., Lost in Space Inc., Aerial Land Services Ltd. and Redwater Energy Corp.

CAPL 1997 OVERRIDING ROYALTY PROCEDURE ELECTION SHEET

1.01(b)

Definitions

Effective Date: October 1, 2009

2.01 A.

Quantification of Overriding Royalty (Amended – Overriding Royalty shall be payable on 62.129% of production)

(a) For Crude Oil: 2% of the gross monthly production thereof produced from each Royalty Well

(b) For all other Petroleum Substances: Alternate 1

If Alternate 1 applies:

2 % of the gross monthly production thereof produced from each Royalty Well

If Alternate 2 applies:

(i) ____ % if not taken in kind

(ii) ____ % if taken in kind

2.04 **Royalty Payor's Allowed Deductions If Overriding Royalty Not taken in Kind:**

Neither Alternate 1 nor Alternate 2 will apply. Royalty Owner will not be subject to any deductions of any kind whatsoever.

2.08 **Royalty Owner's Rights Upon Surrender:** This clause will apply