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ROYALTY SALE AGREEMENT

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BETWEEN

TOURMALINE OIL CORP.

AND

TOPAZ ENERGY CORP.

July 15, 2021

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## ROYALTY SALE AGREEMENT

**THIS AGREEMENT** is dated the 15<sup>th</sup> day of July, 2021.

### **BETWEEN:**

**TOURMALINE OIL CORP.**, a corporation amalgamated under the laws of the Province of Alberta ("**Vendor**")

- and -

**TOPAZ ENERGY CORP.**, a corporation incorporated under the laws of the Province of Alberta (hereinafter referred to as "**Purchaser**")

**WHEREAS** Vendor and Purchaser have agreed that Vendor will sell and grant the Overriding Royalty to Purchaser and Purchaser will purchase the Overriding Royalty from Vendor;

**NOW THEREFORE** in consideration of the mutual covenants and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties covenant and agree as follows:

### **ARTICLE 1 INTERPRETATION**

#### **1.1 Definitions**

In this Agreement, unless the context otherwise requires:

- (a) "**Affiliate**" of any Person means any other Person who directly or indirectly Controls, or is Controlled by, or is under common Control with, such Person.
- (b) "**Agreement**" means this Royalty Sale Agreement and the Schedules attached hereto.
- (c) "**Applicable Laws**" means, in relation to any Person, property, activity, transaction or event, all laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice and orders of, and the terms of all judgments, orders, awards and decrees issued by, any Governmental Authority by which such Person is bound or having application to the Person, property, activity, transaction or event in question.
- (d) "**Black Swan Royalty Lands**" means lands set forth and described in Schedule "A1" hereto, as to all formations set out therein and includes the Petroleum Substances within, upon or under such lands, insofar as the Petroleum Substances are granted by the Title Documents.
- (e) "**Burdens**" means all royalty, overriding royalty, gross overriding royalty, production payment, profits interest, net profits interest, revenue interest, net revenue interest and similar burdens reserved or payable (by way of a share in production of Petroleum Substances or by way of money) to any Third Party;
- (f) "**Business Day**" means a day on which banks are generally open for the transaction of commercial business in Calgary, Alberta, but does not in any event include a Saturday or a Sunday or statutory holiday in Alberta.
- (g) "**Claim**" means any cause of action, action, account, lien of any kind whatsoever, claim, demand, lawsuit, audit, proceeding, or arbitration, including any proceeding or investigation by a Governmental Authority.
- (h) "**Claiming Party**" has the meaning set out in Section 6.4.

- (i) **"Closing"** means the grant of the Overriding Royalty by Vendor to Purchaser by executing the Royalty Agreement, the payment and delivery of the Purchase Price by Purchaser to Vendor, subject to the provisions of Section 1.2(r), and the delivery of other documents required to be delivered on the Closing Date under the terms of this Agreement.
- (j) **"Closing Date"** means August 1, 2021 or any other Business Day as Vendor and Purchaser may agree.
- (k) **"Confidential Information"** has the meaning set out in Section 9.8.
- (l) **"Consequential Losses"** means any consequential, incidental, punitive, special, exemplary or indirect damages, and whether or not in the nature of the foregoing, deferred profits or revenues, loss of business opportunity, losses based on loss of use, cost of use, including standby charges, loss of drilling rights and/or deferment of drilling or other business interruption losses and damages.
- (m) **"Control"** means one or more of the following:
- (i) a body corporate is controlled by a Person if: (A) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned, directly or indirectly, by such Person; and (B) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;
  - (ii) an association, partnership, limited liability company, trust or other organization is controlled by a Person if: (A) more than 50% of the ownership interests, however designated, into which the association, partnership, limited liability company, trust or other organization is divided are beneficially owned, directly or indirectly, by such Person; and (B) the Person is able to direct the business and affairs of the association, partnership, limited liability company, trust or other organization;
  - (iii) a body corporate, association, partnership, limited liability company, trust or other organization is controlled by a Person if such Person has, directly or indirectly, control in fact of the body corporate, association, partnership, limited liability company, trust or other organization; or
  - (iv) a body corporate, association, partnership, limited liability company, trust or other organization that controls (within the meaning of this definition) another body corporate, association, partnership, limited liability company, trust or other organization is deemed to control (within the meaning of this definition) any body corporate, association, partnership, limited liability company, trust or other organization that is controlled or deemed to be controlled (within the meaning of this definition) by the other body
  - (v) corporate, association, partnership, limited liability company, trust or other organization.
- (n) **"Disclosing Party"** has the meaning set out in Section 9.8.
- (o) **"Dollar"** or **"\$"** means a Canadian dollar.
- (p) **"Effective Date"** means August 1, 2021.
- (q) **"Environmental Liabilities"** means all losses and liabilities that relate to the Royalty Lands, or that arise in connection with the ownership thereof or operations pertaining thereto, whether it has arisen in the past, hereof, or hereafter, including liabilities related to or arising from:
- (i) past, present or future transportation, storage, use, holding or disposal of toxic or hazardous substances or waste;
  - (ii) leaching, migration, release, spill, escape or emission of toxic or hazardous substances or waste;
  - (iii) obligations to test, monitor, remediate, protect or clean-up the environment;

- (iv) the costs of complying with any order or direction of any Governmental Authority having jurisdiction over the Royalty Lands or Petroleum Substances in the Royalty Lands; or
- (v) damage, pollution, contamination or other adverse situations pertaining to the environment howsoever of or to the environment,

and including liabilities to compensate Third Parties for damages and losses resulting from the items described in items (i), (ii), (iii), (iv) and (v) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the environment and, for purposes of this Agreement, "the environment" includes the air, the surface and subsurface of the earth, bodies of water (including rivers, streams, lakes and aquifers) and plant, human and animal life.

- (r) **"GAAP"** means generally accepted accounting principles accepted in Canada which are in effect from time to time.
- (s) **"Governmental Authority"** means, in relation to any Person, property, activity, transaction or event, any: (i) federal, state, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise); (ii) agency, authority, commission, bureau, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (iii) court, tribunal, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; and (iv) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including securities exchanges, in each case having jurisdiction over such Person, property, activity, transaction or event.
- (t) **"Indemnified Matter"** has the meaning set out in Section 6.4(a).
- (u) **"Indemnifying Party"** has the meaning set out in Section 6.4.
- (v) **"ITA"** means the *Income Tax Act* (Canada).
- (w) **"Liabilities"** means any and all liabilities and obligations whether under common law, in equity, under Applicable Laws or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise.
- (x) **"Losses"** means, in respect of a Person and in relation to a matter, any and all losses, damages, costs, expenses, charges (including all penalties, assessments and fines) which such Person suffers, sustains, pays or incurs in connection with such matter and includes taxes, reasonable costs of legal counsel (on a solicitor and client basis) and other professional advisors and consultants and reasonable costs of investigating and defending any Claims arising from the matter, regardless of whether such Claims are sustained.
- (y) **"Other Royalty Lands"** means lands set forth and described in Schedule "A2" hereto, as to all formations set out therein and includes the Petroleum Substances within, upon or under such lands, insofar as the Petroleum Substances are granted by the Title Documents.
- (z) **"Outside Date"** means August 31, 2021.
- (aa) **"Overriding Royalty"** means the gross overriding royalty on the Royalty Lands granted by Vendor to Purchaser pursuant to the Royalty Agreement and as the term "Royalty" is defined therein.
- (bb) **"Party"** means a Person who is a party to, and is bound by, this Agreement.
- (cc) **"Permitted Encumbrances"** means any of the following:
  - (i) liens for taxes, assessments and governmental charges which are not due or the validity of which is being diligently contested in good faith by or on behalf of Vendor;

- (ii) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, roads, railways, sewers, drains, gas or oil pipelines or gas or water mains or for electric light, power, telephone, telegraph or cable television conduits, poles, wires or cables;
  - (iii) the right reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant or permit or by any Applicable Laws, to terminate such lease, licence, franchise, grant or permit or to require annual or other periodic payments or the posting of deposits as a condition of the granting or continuance thereof;
  - (iv) the right reserved to or vested in any Governmental Authority to levy taxes on Petroleum Substances produced from the Royalty Lands or the income or revenue attributable thereto or in respect of operations;
  - (v) governmental requirements as to operations, including limitations or restrictions on production rates;
  - (vi) rights reserved to or vested in any Governmental Authority to control or regulate any of the Vendor's Working Interests in any manner;
  - (vii) the terms and conditions of the Title Documents, including any Burdens created thereunder which encumber Vendor's Working Interests but which do not encumber the Overriding Royalty, but excepting provisions thereof that create security interests that would not be Permitted Encumbrances under paragraph (ix) or (xiii);
  - (viii) undetermined or inchoate liens incurred or created in the ordinary course of business or a lien created as security in favour of the Person conducting operations related to the Vendor's Working Interests to which such liens relate for Vendor's proportionate share of the costs and expenses of such operations which are not due or delinquent;
  - (ix) the reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Royalty Lands or interest therein and statutory exceptions to title;
  - (x) liens granted in the ordinary course of business to a public utility or Governmental Authority in connection with operations;
  - (xi) mechanics', builders' and materialmen's liens in respect of services rendered or goods supplied in the course of operations, but only insofar as such liens relate to goods or services for which payment is not due, or the validity of which is being diligently contested by or on behalf of Vendor;
  - (xii) encumbrances related to indebtedness incurred under hedging arrangements; and
  - (xiii) any security held by any Third Party encumbering Vendor's Working Interests or any part or portion thereof, in respect of which Vendor has delivered a discharge in registrable form, a no interest letter with an undertaking to discharge the security interest or like document to Purchaser at or prior to Closing.
- (dd) **"Person"** means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status.
- (ee) **"Petroleum Substances"** has the meaning ascribed to that term in the Royalty Agreement.
- (ff) **"Purchase Price"** has the meaning set out in Section 2.2.
- (gg) **"Receiving Party"** has the meaning set out in Section 9.8.

- (hh) **"Related Parties"** means, in reference to a Party, its Affiliates, successors and assigns and its and its Affiliates' directors, officers and employees; provided that for purposes of this definition, Vendor and Purchaser shall not be considered Related Parties.
- (ii) **"Review Period"** means the period commencing on the date of this Agreement and ending on a date that is the earlier of:
- (i) two (2) years from the date of execution of the Royalty Agreement; and
  - (ii) the date that Royalty Owner enters into an agreement with a Third Party to dispose of the Royalty granted to Royalty Owner pursuant to the Royalty Agreement, whether in whole or in part.
- (jj) **"Right of First Refusal"** means a right of first refusal, right of first offer or other pre-emptive or preferential right of purchase or similar right to acquire the Overriding Royalty or certain of them that may become operative by virtue of this Agreement or completion of the Transaction.
- (kk) **"Royalty Agreement"** means the Gross Overriding Royalty Agreement to be entered into between Vendor and Purchaser at Closing in the form attached hereto as Schedule "C".
- (ll) **"Royalty Lands"** means the lands set forth and described in Schedules "A1" and "A2" hereto, as may be amended from time to time during the Review Period by the addition of Subsequently Identified Royalty Lands pursuant to Section 1.6, as to all formations set out therein and includes the Petroleum Substances within, upon or under such lands, insofar as the Petroleum Substances are granted by the Title Documents.
- (mm) **"Royalty Owner"** has the meaning set out in the Royalty Agreement.
- (nn) **"Schedules"** has the meaning set out in Section 1.5.
- (oo) **"Subsequently Identified Royalty Lands"** has the meaning set out in Section 1.6(b).
- (pp) **"Survival Period"** means, in the case of Vendor's or Purchaser's representations and warranties in Sections 5.1 and 5.2, respectively, a period of twelve (12) months from the date hereof.
- (qq) **"Third Party"** means a Person who is not a Party or an Affiliate of a Party.
- (rr) **"Title Documents"** means, collectively, the various leases, reservations, permits, licences, agreements and other documents of title relating to: (i) the acquisition and ownership by Vendor of the Petroleum Substances in the Royalty Lands, by virtue of which the holder is entitled to explore for, drill for, recover, remove or dispose of Petroleum Substances from the Royalty Lands; and (ii) all similar documents of title issued pursuant thereto, in renewal or replacement thereof or substitution therefor and all other documents relating to Vendor's right, estate and interest in the Royalty Lands and the Petroleum Substances.
- (ss) **"Tourmaline Acquisition Agreements"** mean the agreement of purchase and sale dated April 30, 2021 between Paramount Resources Ltd. and Tourmaline Oil Corp., and the amalgamation agreement among Black Swan Energy Ltd., Tourmaline Oil Corp., and 13091449 Canada Inc. dated June 10, 2021.
- (tt) **"Transaction"** means the entering into of this Agreement and the Royalty Agreement, and the grant and purchase of the Overriding Royalty in accordance with this Agreement and the Royalty Agreement.
- (uu) **"Vendor's Working Interests"** means the right, title and interest of Vendor to explore for, drill for, extract, win, produce, take, save and market Petroleum Substances, or any of them, from the Royalty Lands, commonly referred to as a "working interest" and which, at common law, is an interest in, or in relation to, land characterized as a "profit à prendre", and set out in Schedule "A" hereto.

## 1.2 Interpretation

In this Agreement, unless the context requires otherwise:

- (a) words importing the singular number include the plural and *vice versa*;
- (b) words importing the masculine gender include the feminine and neuter genders;
- (c) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning;
- (d) words and phrases which are not defined herein but have a generally accepted meaning in the custom and usage of the upstream oil and gas industry in the Province of Alberta as at the date hereof shall be given such generally accepted meaning;
- (e) the terms "herein", "hereby", "hereof", "hereunder", "hereto" and similar expressions mean or refer to this Agreement and not to any particular provision of this Agreement;
- (f) the use of the word "include" or "including" shall be deemed to mean "include, without limitation", or "including, without limitation", as applicable;
- (g) references to any Person (including any Governmental Authority) include such Person's permitted successors and assigns;
- (h) any reference to a Person in a particular capacity is and is deemed to be a reference to that Person in that capacity and not in any other capacity;
- (i) 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;
- (j) references to any Applicable Law (including any statute referenced in this Agreement) means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and references to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;
- (k) references to Articles, Sections, Subsections or Schedules refer to articles, sections, subsections or schedules of this Agreement;
- (l) headings and the table of contents are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents hereof;
- (m) the rule of contractual interpretation known as "*contra proferentem*" shall not apply to the interpretation or construction of this Agreement, such that in interpreting this Agreement, it shall be irrelevant which Party drafted any particular provision hereof;
- (n) all dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein;
- (o) payments are to be made in immediately available Canadian dollars;
- (p) unless otherwise indicated, references to the time of day or date mean the local time or date in Calgary, Alberta;
- (q) unless otherwise specified herein, or as the context may require, computation of any period of time referred to in this Agreement shall exclude the first day and include the last day of such period; and

- (r) where any payment or calculation is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, then unless otherwise provided herein, such payment or calculation is to be made, or the other action is to be taken, as applicable, on or as of the next following Business Day, unless such next following Business Day falls in the next calendar month, in which event the payment or calculation is to be made, or the other action is to be taken, as applicable, on or as of the immediately preceding Business Day.

### 1.3 Accounting Matters

Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purposes of this Agreement, such determination, consolidation or computation shall, unless the Parties otherwise agree or the context otherwise requires, be made in accordance with GAAP, as adopted by Vendor and applied on a consistent basis.

### 1.4 Knowledge

Where in this Agreement a representation or warranty is limited to the knowledge or awareness of a Party, such knowledge or awareness shall be deemed to consist of the actual knowledge or awareness of the senior management personnel and officers of that Party, without any obligation of inquiry, and shall not include the knowledge or awareness of any other Person.

### 1.5 Schedules

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

Schedule "A1" – Black Swan Royalty Lands

Schedule "A2" - Other Royalty Lands

Schedule "B" – Disclosure

Schedule "C" – Form of Royalty Agreement

Schedule "D" – Form of Certificate for Vendor

Schedule "E" – Form of Certificate for Purchaser

Subject to Section 1.6, if there is any conflict or inconsistency between the provisions of the main body of this Agreement and those of a Schedule, the provisions of the main body of this Agreement shall prevail to the extent of the conflict.

### 1.6 Omissions or Misdescriptions

- (a) The Parties acknowledge that the Royalty Lands are intended to include all Vendor's Working Interest in all of the petroleum and natural gas rights acquired by Vendor under the Tourmaline Acquisition Agreements. Although Vendor has prepared, and Purchaser has reviewed Schedules "A1" and "A2" diligently and with good faith, they recognize that there may be unintended omissions or misdescriptions.
- (b) If, during the Review Period, a Party identifies any lands that were acquired by Vendor under the Tourmaline Acquisition Agreements and such lands are not included in Schedule "A1" or "A2" ("**Subsequently Identified Royalty Lands**"), such Party shall provide written notice of the Subsequently Identified Royalty Lands to the other Party. If such Subsequently Identified Royalty Lands were acquired by Vendor under the Tourmaline Acquisition Agreements, Vendor shall update and replace Schedule "A1" or "A2", as applicable, to include the Subsequently Identified Royalty Lands and such updated Schedule shall be conclusively deemed to be Schedule "A1" or "A2", as applicable, effective as of the date of this Agreement.

- (c) Vendor agrees that, during the Review Period, it shall provide notice to Purchaser of any Subsequently Identified Royalty Lands of which it becomes aware.
- (d) At the expiry of the Review Period, Schedules "A1" and "A2", as amended for any Subsequently Identified Royalty Lands, shall be, and shall conclusively be deemed to be, true and correct. For certainty, from and after the Review Period, any lands that were acquired by Grantor under any of the Tourmaline Acquisition Agreements but that are not included in Schedule "A1" or "A2", as amended pursuant to Section 1.6(b) to include Subsequently Identified Royalty Lands, shall be deemed not to be (and to never have been) Royalty Lands for any purpose of this Agreement or the Royalty Agreement.

## ARTICLE 2 PURCHASE AND SALE

### 2.1 Purchase and Sale

- (a) Vendor hereby agrees to sell and grant the Overriding Royalty to Purchaser, and Purchaser hereby agrees to acquire and accept the Overriding Royalty from Vendor; for the consideration set forth in Section 2.2, on the Closing Date, subject to and in accordance with the terms of this Agreement.
- (b) Subject to all other provisions of this Agreement, upon Closing, title to, and beneficial ownership, risk and possession of, the Overriding Royalty shall pass from Vendor to Purchaser.

### 2.2 Purchase Price

- (a) The consideration to be paid by Purchaser for the Overriding Royalty on all of the Royalty Lands shall be \$145,000,000, in the aggregate (the "**Purchase Price**") and shall, subject to the terms of this Agreement, be payable by Purchaser to Vendor by wire transfer in immediately available funds on the Closing Date, subject to the provisions of Section 1.2(r).

### 2.3 Adjustments

There shall be no adjustments to the Purchase Price. All benefits and obligations of every kind and nature accruing, paid or payable and received or receivable in respect of the Overriding Royalty have been taken into account in the calculation of the Purchase Price.

### 2.4 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds.

## ARTICLE 3 CONDITIONS TO CLOSING

### 3.1 Mutual Conditions Precedent

- (a) The respective obligation of each of the Parties to complete the Transaction is subject to the condition that, on the Closing Date, no injunction, order or award restraining, enjoining or otherwise prohibiting the consummation of the transaction contemplated herein or granting a material amount of damages in connection therewith shall have been issued and remain in force, and no action seeking to restrain, enjoin or otherwise prohibit the consummation of such transaction or seeking material damages in connection therewith shall be pending before any Government Authority or arbitrator.
- (b) The foregoing conditions are for the mutual benefit of the Parties and may not be waived, in whole or in part, by either Party. If the foregoing mutual conditions have not been satisfied or complied with at or before the Outside Date, then, provided that neither Section 7.1(c) nor Section 7.1(d) applies, this Agreement shall automatically terminate and the provisions of Section 7.2(a) shall apply.

### 3.2 Purchaser's Conditions

- (a) The obligation of Purchaser to complete the Transaction and purchase the Overriding Royalty from Vendor hereunder is subject to the following conditions precedent, which are for the exclusive benefit of Purchaser and may be waived, in whole or in part, by Purchaser:
- (i) the representations and warranties of Vendor set forth in Section 5.1 shall be true and correct in all material respects (other than those representations and warranties which are subject to a qualification as to materiality, which representations and warranties shall be true and correct in all respects) as of the date specified therein, or if no date is specified, as of the date of this Agreement and as of the Closing Date;
  - (ii) the obligations of Vendor contained in this Agreement to be performed prior to or at the Closing Date shall have been timely performed in all material respects prior to or on the Closing Date;
  - (iii) Vendor shall have duly delivered all agreements, certificates and other instruments and documents and taken all actions required pursuant to Section 4.1; and
  - (iv) Vendor shall have delivered to Purchaser at or prior to the Closing Date, if required, discharges of, or no interest letters in respect of, any security held by any Third Party encumbering Vendor's interest in and to the Overriding Royalty or any part or portion thereof.
- (b) If any condition precedent set out in Section 3.2(a) has not been satisfied or complied with at or before the Closing Date and such condition precedent has not been waived by Purchaser before the Closing Date, then Purchaser may terminate this Agreement by written notice to Vendor immediately prior to the Closing Date and the provisions of Section 7.2(b) shall apply.

### 3.3 Vendor's Conditions

- (a) The obligation of Vendor to complete the Transaction and sell and grant the Overriding Royalty to Purchaser hereunder is subject to the following conditions precedent, which are for the exclusive benefit of Vendor and may be waived, in whole or in part, by Vendor:
- (i) the representations and warranties of Purchaser set forth in Section 5.2 shall be true and correct in all material respects as of the date specified therein, but if no date is specified, as of the date of this Agreement and as of the Closing Date.
  - (ii) all obligations of Purchaser contained in this Agreement to be performed prior to or at the Closing Date shall have been timely performed in all material respects prior to or on the Closing Date; and
  - (iii) prior to or on the Closing Date, Purchaser shall have duly made and delivered all payments, agreements, certificates and other instruments and documents and taken all actions required pursuant to Section 4.2.
- (b) If any condition precedent set out in Section 3.3(a) has not been satisfied or complied with at or before the Closing Date and such condition precedent has not been waived by Vendor before the Closing Date, then Vendor may terminate this Agreement by written notice to Purchaser immediately prior to the Closing Date and the provisions of Section 7.2(c) shall apply.

### 3.4 Efforts to Fulfil Conditions Precedent

- (a) Each of the Parties shall proceed diligently and in good faith and use its commercially reasonable efforts to satisfy and comply with the conditions precedent in Sections 3.2(a) and 3.3(a) as applicable, including obtaining all required approvals, if any, on or prior to the Closing Date, and shall provide the other Parties with any reasonable assistance in the satisfaction of and compliance with the conditions precedent in Sections 3.2(a) and 3.3(a) that the other Parties may reasonably request.

## ARTICLE 4 CLOSING DELIVERIES

### 4.1 Closing Deliveries of Vendor

On the Closing Date, Vendor shall deliver to Purchaser:

- (a) a duly executed copy of the Royalty Agreement;
- (b) an Officer's Certificate, duly executed by Vendor;
- (c) if required, discharges of, or no interest letters in respect of, any security held by any Third Party encumbering the Overriding Royalty or any part or portion thereof;
- (d) receipt for the Purchase Price; and
- (e) such other items as may reasonably be requested by Purchaser or that are specifically required under this Agreement.

### 4.2 Closing Deliveries of Purchaser

On the Closing Date, Purchaser shall deliver to Vendor:

- (a) the Purchase Price, in immediately available funds, as provided in Section 2.2(a);
- (b) a duly executed counterpart of the Royalty Agreement delivered by Vendor pursuant to Section 4.1(a);
- (c) an Officer's Certificate signed by an officer of Purchaser; and
- (d) such other items as may reasonably be requested by Vendor or that are specifically required under this Agreement.

### 4.3 Copies of Title Documents

Following the Closing Date and in cooperation with Vendor, and during normal business hours without undue interference to Vendor's business, Purchaser may attend at Vendor's office to make photocopies of those of the Title Documents relating to the Royalty Lands. Purchaser shall provide the personnel and paper at its own cost, and Vendor shall provide the photocopier at its own cost for Purchaser's use to make such copies.

## ARTICLE 5 REPRESENTATIONS AND WARRANTIES

### 5.1 Vendor Representations and Warranties

Purchaser acknowledges that it is purchasing the Overriding Royalty on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or any Third Party, except that and subject in all instances to the Permitted Encumbrances, or any matter disclosed in any of the Schedules, Vendor (jointly and severally) makes the following representations and warranties to Purchaser:

- (a) Standing: Vendor is a corporation duly formed and validly existing under the laws of the Province of Alberta and is authorized to carry on business in the jurisdiction in which the Royalty Lands are located;
- (b) Requisite Authority: Vendor has good right, full power and absolute authority to sell, grant and set over the Overriding Royalty to Purchaser according to the true intent and meaning of this Agreement and the Royalty Agreement;

- (c) Execution: the execution, delivery and performance of this Agreement and the Royalty Agreement, has been duly and validly authorized by any and all requisite corporate, partner, shareholders' and directors' actions and will not result in any violation of, be in conflict with or constitute a default under any articles, charter, bylaw or other governing document to which Vendor is bound;
- (d) No Conflicts: the execution, delivery and performance of this Agreement and the Royalty Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which Vendor is party or by which Vendor is bound, nor under any Applicable Law applicable to Vendor;
- (e) Enforceability: this Agreement, the Royalty Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Vendor enforceable against Vendor in accordance with their terms, subject to the qualification that such enforceability may be subject to:
  - (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally; and
  - (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);
- (f) Regulatory Approval: except as otherwise provided in this Agreement, 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 Vendor of this Agreement and the Royalty Agreement, other than authorizations, approvals or exemptions from requirement therefor, previously obtained and currently in force;
- (g) Finders' Fees: Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the transaction to be effected by it for which Purchaser shall have any obligation or liability;
- (h) Title to Vendor's Working Interests: Vendor does not warrant title to the Vendor's Working Interests except that it warrants that:
  - (i) Vendor's Working Interests are free and clear of all liens, adverse claims, royalties, mortgages, charges, conversion rights, and encumbrances created by, through or under it or of which it is aware;
  - (ii) Vendor's Working Interests are not subject to reduction or alteration by virtue of:
    - (A) the conversion or other alteration of the interest of any interest of a Third Party granted by, through or under Vendor;
    - (B) any sale agreement, farmout agreement, option agreement, asset exchange or swap agreement or other obligation of Vendor, whether contingent or vested, to assign, transfer or farmout any of Vendor's Working Interests, other than obligations that arise after the date hereof pursuant to surrender or abandonment provisions of Title Documents or other agreements as a consequence of a decision by Vendor after the date hereof to surrender or join in the surrender of a Title Document, to abandon or join in the abandonment of a well or to not participate in a drilling or other operation; and
    - (C) Except where indicated in Schedule "A", none of the wells on the Royalty Lands or the production of Petroleum Substances therefrom is subject to a production penalty arising under a contract as a result of an election by Vendor not to participate in a drilling or other operation or, to the knowledge of Vendor, any such decision by any of its predecessors in interest;
- (i) Royalty Agreement: Vendor has the right to create, grant, sell and transfer the Overriding Royalty to Purchaser and the Royalty Agreement will not be subject to, attach or otherwise relate to any other agreement which modifies, revises, restates, predicates, governs or expands the Royalty Agreement in any material respect;

- (j) No Default Notices: except for matters that are the subject matter of a Claim listed in Schedule "B", as at the date hereof it has neither received nor delivered any written notices of violation or alleged violation of any material provisions of any of the Title Documents or Applicable Laws in respect of the Vendor's Working Interests or operations in respect thereof which would reasonably be expected to have a material adverse effect on the Overriding Royalty, taken as a whole;
- (k) Compliance with Title Documents: except for matters that are the subject matter of a Claim listed in Schedule "B", it has performed, observed and satisfied all of its material duties, liabilities, obligations and covenants required as at the date hereof to be satisfied, performed and observed by it under, and is not in default under or in breach, in respect of the Vendor's Working Interests of any material provision of the Title Documents;
- (l) No Claims: except the Claims listed in Schedule "B", as at the date hereof there are no material Claims which have been served upon it or its Affiliates with respect to the commencement of legal proceedings, or to Vendor's knowledge, threatened, in respect of, or relating to, the Vendor's Working Interests, the Title Documents or operations pertaining thereto;
- (m) AMIs etc: there are no active areas of mutual interest, areas of exclusion or areas of dedication provisions in any of the Title Documents or other contracts, agreements and documents to which the Vendor's Working Interests are subject;
- (n) Indigenous Matters:
  - (i) as at the date hereof there are no material Claims which have been served upon it or its Affiliates with respect to the commencement of legal proceedings, or to Vendor's knowledge, threatened, by Indigenous groups or any Person controlled or owned in whole or in part by any Indigenous groups in respect of, or relating to, the Vendor's Working Interests or the Title Documents or operations pertaining thereto; and
  - (ii) none of Vendor or any of its Affiliates is a party to or otherwise bound by any material agreements with any Indigenous groups or any Person controlled or owned in whole or in part by any Indigenous groups, in respect of, or relating to, the Vendor's Working Interests or the Title Documents or operations pertaining thereto;
- (o) Assessments: to Vendor's knowledge all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of Petroleum Substances or the receipt of proceeds therefrom in respect of Vendor's Working Interests which have become due and payable prior to the date hereof (including all prior years) have been paid or satisfied;
- (p) No ROFRS: there are no Rights of First Refusal applicable to the Transaction contemplated herein;
- (q) Operations: any and all of Vendor's operations on or in respect of Vendor's Working Interests have been conducted in accordance with good oil and gas industry practices and in compliance with all Applicable Laws;
- (r) Environmental Matters: it has not received notice of:
  - (i) any material non-compliance in relation to Vendor's Working Interests pursuant to any law intended to protect the environment which has not been remedied in all material respects; or
  - (ii) to Vendor's knowledge, any Claim in relation to Vendor's Working Interests by any Third Party of material Environmental Liabilities (including pollution);
- (s) Canadian Resident: it is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada) R.S.C. 1985, c.1 (5th Supplement); and

- (t) Information: to Vendor's knowledge it has not withheld any material information concerning the Royalty Lands from Purchaser which information a reasonably prudent purchaser of the Royalty Lands would need to know to conduct its assessment of the Royalty Lands and the Transaction contemplated by this Agreement.

## 5.2 Purchaser's Representations and Warranties

Purchaser represents and warrants to Vendor as follows:

- (a) Standing: Purchaser is a corporation formed 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) Requisite Authority: Purchaser has good right, full power and absolute authority to purchase, acquire and receive the Overriding Royalty from Vendor according to the true intent and meaning of this Agreement;
- (c) Execution: the execution, delivery and performance of this Agreement and the Royalty Agreement has been duly and validly authorized by any and all requisite corporate, shareholders' and directors' actions and will not result in any violation of, be in conflict with or constitute a default under any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) No Conflicts: the execution, delivery and performance of this Agreement and the Royalty Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any Regulation applicable to Purchaser;
- (e) Enforceability: this Agreement, the Royalty Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms, subject to the qualification that such enforceability may be subject to:
- (i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally; and
  - (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);
- (f) Regulatory Approval: except as otherwise provided in this Agreement, 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 Purchaser of this Agreement and the Royalty Agreement, other than authorizations, approvals or exemptions from requirements therefor, previously obtained and currently in force;
- (g) Finders' Fees: Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the transaction to be effected by it for which Vendor shall have any obligation or liability; and
- (h) Investment Canada Act: Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act* (Canada).

## 5.3 No Additional Representations or Warranties by Vendor

- (a) Vendor makes no representation or warranty, express or implied, in fact or by law, with respect to:
- (i) its title to the Vendor's Working Interests except as set forth in Subsection 5.1(h);
  - (ii) the quality, condition, merchantability, serviceability or suitability or fitness for any particular purpose of any property;

- (iii) the quality, quantity, recoverability or future production of the Petroleum Substances within, upon or under the Royalty Lands;
  - (iv) the value of the Overriding Royalty;
  - (v) any engineering, geological, production or other information or interpretations thereof or any economic evaluations of the Royalty Lands, the Vendor's Working Interests or any of them; or
  - (vi) any other data or information, including Vendor's proposed or contemplated development plans and timelines in respect of the Royalty Lands, supplied by Vendor or its Related Parties to Purchaser in connection herewith.
- (b) Purchaser acknowledges that, with the exception of the representations and warranties made by Vendor in Section 5.1 and the performance by Vendor of its obligations under this Agreement, Purchaser is not relying on any representation, warranty or covenant by Vendor or its Related Parties or any of their representatives or agents not contained in this Agreement or on any statement or discussions with Vendor, its Related Parties or any of their representatives or agents and that with the exception of the representations and warranties made by Vendor in Section 5.1 Purchaser forever releases and discharges Vendor and its Representatives from any Losses and Liabilities of Purchaser and its assigns and successors, as a result of the use or reliance upon advice, information and materials pertaining to the Overriding Royalty delivered or made available to Purchaser by Vendor or any of its Representatives prior to or under the Agreement, including, any evaluations, projections, reports and interpretive or non-factual materials prepared by or for Purchaser, or otherwise in its possession.
- (c) Except for the representations and warranties of Vendor in Section 5.1:
- (i) Vendor expressly negates and disclaims; and
  - (ii) Vendor shall not be liable (whether under contract or tort law, at common law, in equity, under statute or otherwise howsoever) for,

any representation, warranty, statement, information, data or covenant in any other document or for any statement made or information provided by Vendor or its Related Parties or their agents, solicitors, accountants, consultants or representatives to Purchaser in connection with this Agreement in any manner, whether on or before the execution hereof.

#### **5.4 Survival of Representations and Warranties**

The representations and warranties in Sections 5.1 and 5.2 shall survive the Closing for the Survival Period and not be merged in the Royalty Agreement or any of them, or any other documents executed and delivered or otherwise provided pursuant to this Agreement. No Party shall have any liability in respect of a breach of a representation and warranty in Sections 5.1 and 5.2 unless notice of such breach with reasonable particulars shall have been provided by such Party to the other Party prior to the expiry of the Survival Period.

### **ARTICLE 6 INDEMNITIES AND LIMITATIONS ON LIABILITY**

#### **6.1 Vendor's Indemnities for Representations and Warranties**

Subject to Section 6.3, Vendor shall:

- (a) be liable to Purchaser for; and
- (b) in addition, indemnify Purchaser from and against,

all Claims that may be brought against Purchaser or Losses and Liabilities that Purchaser suffers, sustains, pays or incurs as a result of a breach of a representation or warranty made by Vendor in Section 5.1 or a breach by Vendor of a covenant or agreement contained in this Agreement.

## 6.2 Purchaser's Indemnities for Representations and Warranties

Subject to Section 6.3, Purchaser shall:

- (a) be liable to Vendor for; and
- (b) in addition, indemnify Vendor from and against,

all Claims that may be brought against Vendor or Losses and Liabilities that Vendor suffers, sustains, pays or incurs as a result of a breach of a representation or warranty made by Purchaser in Section 5.2 or a breach by Purchaser of a covenant or agreement contained in this Agreement; provided however that Purchaser shall not be liable to nor be required to indemnify Vendor in respect of any Claims brought against Vendor or Losses and Liabilities that Vendor suffers, sustains, pays or incurs which are caused by the gross negligence or willful misconduct of Vendor or its Representatives or are matters or things for which Purchaser is entitled to indemnification under Section 6.1.

## 6.3 Limit on Responsibility

- (a) In no event shall a Party have any liability for a breach of a representation and warranty in Section 5.1 or Section 5.2:
  - (i) unless notice of such breach with reasonable particulars shall have been provided by such Party to the other Party prior to the expiry of the Survival Period; or
  - (ii) to the extent the Loss is reimbursed by insurance carried by such Party.
- (b) In no event shall Vendor have any liability to Purchaser in respect of any Claims, Losses or Liabilities that are inconsistent with Section 5.3.
- (c) Other than as a result of a breach of Section 9.8, in no event shall a Party be liable for any Consequential Losses.

## 6.4 Procedures – General Indemnities

If a Party (the "**Claiming Party**") wishes to claim indemnification from the other Party (the "**Indemnifying Party**") pursuant to Sections 6.1(b) or 6.2(b), the following shall apply:

- (a) Promptly after acquiring knowledge of the subject matter of the Claim or the Losses and Liabilities in respect of which the claim for indemnification is to be made (an "**Indemnified Matter**"), the Claiming Party shall provide notice thereof to the Indemnifying Party, provided that, failure to give such notice will not limit or lessen the right of the Claiming Party to indemnify under this Agreement except to the extent that the Indemnifying Party is prejudiced in its contest or defence of the Indemnified Matter as a result of such failure. Such notice shall describe the nature of the Indemnified Matter in reasonable detail and indicate, if reasonably ascertainable, the Claiming Party's good faith estimate of the amount for which the Indemnifying Party may be liable under this Agreement in respect of such Indemnified Matter.
- (b) If the Indemnified Matter relates to a Claim made or brought by a Third Party:
  - (i) the Indemnifying Party shall have the right to participate in or to elect to assume control of the defence or dispute of any such Claim. Any such participation in or assumption of control of the defence or dispute of the Claim shall be at the Indemnifying Party's own expense and use counsel chosen by the Indemnifying Party. The Claiming Party shall provide all reasonable assistance that the Indemnifying Party may reasonably request in connection with such defence or dispute;
  - (ii) the Claiming Party shall have the right to participate in the defence or dispute of any such Indemnified Matter using counsel of its own choice if representation of both the Claiming Party and the Indemnifying Party by the same counsel would be inappropriate due to conflicting interests of the two Parties, including Claims that would be partially excluded from indemnification by the Indemnifying

Party by virtue of another provision of this Agreement. The Indemnifying Party shall be liable for the costs of such additional counsel retained by the Claiming Party, but only to the extent that such costs pertain to the defence or dispute of the Indemnified Matter; and

- (iii) the Claiming Party shall not settle or compromise, or propose to settle or compromise, any such Indemnified Matter without first obtaining the consent of the Indemnifying Party, provided that, such consent shall not be required if: the Indemnifying Party denies or disputes that the particular Claim constitutes an Indemnified Matter and refuses to take responsibility for the defence or dispute thereof as provided above; the Indemnifying Party fails to respond to any notice of the Indemnified Matter given by the Claiming Party in accordance with Section 6.4(a) within 15 days of receipt thereof by the Indemnifying Party; or the Indemnifying Party either refuses or fails to defend or dispute such Indemnified Matter after assuming responsibility for the defence or dispute thereof as provided above. In each such a case, the Claiming Party shall be entitled to defend, dispute, settle or compromise such a Claim by a Third Party in any manner it determines to be appropriate, acting reasonably and in good faith, subject to any limitations set forth in this Agreement.
- (c) If the Indemnified Matter relates to Losses and Liabilities directly suffered, sustained, paid or incurred by the Claiming Party or any of the Claiming Party's Related Persons, the Indemnifying Party shall respond to the Claiming Party as to whether the Indemnifying Party accepts liability for such Indemnified Matter within 30 days of receipt of the Claiming Party's notice given in accordance with Section 6.4(a) and:
- (i) if the Indemnifying Party does not respond within such 30-day period, the Indemnifying Party shall be deemed to have accepted its liability for such Indemnified Matter;
  - (ii) if the Indemnifying Party accepts its liability for such Indemnified Matter, the Indemnifying Party shall discharge its liability to indemnify the Claiming Party within 10 days after the end of the initial 30-day notice period; and
  - (iii) if the Indemnifying Party disputes whether the particular Losses and Liabilities constitute an Indemnified Matter or the amount of such Losses or Liabilities for which the Indemnifying Party is liable within such 30-day period, or if the Indemnifying Party accepts or is deemed to have accepted liability for such Indemnified Matter, but fails to discharge such liability within the specified period, the Claiming Party shall be free to seek to enforce its right to indemnification in respect of such Indemnified Matter under this Agreement in any manner that it deems appropriate.
- (d) If the Indemnifying Party has paid an amount in respect of an Indemnified Matter pursuant to this Agreement, then: (i) the Indemnifying Party will be subrogated to all and any Claims that the Claiming Party may have relating thereto without any further action; (ii) the Claiming Party, without limiting its rights to the indemnity under this Agreement, shall provide any reasonable assistance that the Indemnifying Party may reasonably request in order to permit the Indemnifying Party to pursue such Claims; and (iii) if the Claiming Party is subsequently reimbursed by any Person or from any source other than the Indemnifying Party in respect of the Indemnified Matter, the Claiming Party shall promptly pay to the Indemnifying Party any such amounts so received by it, up to the amount received from the Indemnifying Party in respect of such Indemnified Matter.

## ARTICLE 7 TERMINATION

### 7.1 Termination

This Agreement may be terminated and the Transaction may be terminated prior to Closing only as follows:

- (a) by mutual written agreement of the Parties;
- (b) automatically pursuant to Section 3.1;

- (c) by Purchaser pursuant to Section 3.2(b); or
- (d) by Vendor pursuant to Section 3.3(b).

## 7.2 Effect of Termination

- (a) If this Agreement is terminated pursuant to Section 7.1(a) or Section 7.1(b), then, except as set out in any such mutual agreement of the Parties:
  - (i) Purchaser and Vendor shall be released and discharged from the further performance of any duties or obligations under this Agreement, except as provided in Section 9.8; and
  - (ii) no Party shall have any Claim against another Party under or in connection with this Agreement or in connection with the Overriding Royalty or otherwise in connection with the Transaction or the termination of this Agreement, other than pursuant to such mutual agreement and Section 9.8.
- (b) If this Agreement is terminated by Purchaser pursuant to Section 7.1(c), then:
  - (i) subject to the limitations of liability set forth in Section 6.3, Purchaser shall be entitled to pursue a Claim against Vendor for all Losses and Liabilities and all damages that Purchaser suffers as a direct consequence of the termination of this Agreement in such circumstances, and waives all other remedies Purchaser may have, whether at law or in equity, relating to or in respect of such a termination of this Agreement; and
  - (ii) Purchaser and Vendor shall be released and discharged from the further performance of any duties or obligations under this Agreement, other than pursuant to Section 7.2(b)(i) and Section 9.8.
- (c) If this Agreement is terminated by Vendor pursuant to Section 7.1(d), then:
  - (i) subject to the limitations of liability set forth in Section 6.3, Vendor shall be entitled to pursue a Claim against Purchaser for all Losses and Liabilities and all damages that Vendor suffers as a direct consequence of the termination of this Agreement in such circumstances, and waives all other remedies Vendor may have, whether at law or in equity, relating to or in respect of such a termination of this Agreement; and
  - (ii) Purchaser and Vendor shall be released and discharged from the further performance of any duties or obligations under this Agreement, other than pursuant to Section 7.2(c)(i) and Section 9.8.

## ARTICLE 8 NOTICE

### 8.1 Addresses for Service

- (a) Any notice, consent, approval, determination or other communication to be given or sent to a Party pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been validly given or received for the purposes of this Agreement if delivered personally or by facsimile or electronically as follows:

- (i) to Vendor:

2900, 250 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3H7

Attention: Drew Tumbach  
Vice President, Land and Contracts

 [Personal contact information redacted]

[Personal contact information redacted]

(ii) to Purchaser:

2900, 250 6th Avenue S.W.  
Calgary, Alberta T2P 3H7

Attention: Marty Staples  
President and Chief Executive Officer

[Personal contact information redacted]

- (b) A Party may, at any time, change such Party's address for the purpose of service by written notice to the other Party.
- (c) Notices given by way of facsimile or other electronic means of communication shall be conclusively deemed to have been received on the date of their transmittal (if on a Business Day during normal business hours of the recipient and, if not, on the next Business Day). Notices delivered by hand or courier shall be conclusively deemed to have been received on the date of delivery.

## ARTICLE 9 MISCELLANEOUS

### 9.1 Costs and Expenses

Except as specifically provided herein, all legal and other costs and expenses incurred by a Party in connection with this Agreement and the transactions contemplated hereby will be paid by the Party that incurred the same.

### 9.2 Further Assurances

The Parties will execute and deliver such further instruments, papers and documents, and shall do such further acts and things as may reasonably be necessary or as may reasonably be requested for the purpose of carrying out the provisions of this Agreement.

### 9.3 No Third Party Beneficiary Rights

This Agreement shall be construed to benefit the Parties and their respective successors and permitted assigns only and shall not be construed to create Third Party beneficiary rights in any other Person.

### 9.4 Entire Agreement

This Agreement, together with the Royalty Agreement, constitutes the entire agreement of the Parties relating to, and there are no collateral or other statements, understandings, covenants, agreements, representations or warranties, written or oral, relating to, the subject matter of this Agreement. This Agreement, together with the Royalty Agreement, supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, between the Parties relating to the subject matter hereof or thereof.

### 9.5 Survival

The expiry or termination of this Agreement will not discharge or release any Party from any of its Liabilities or obligations (including payment obligations) accrued at the time of such expiry or termination (including a breach of a representation, warranty or covenant) or from any of its Liabilities or obligations that expressly continue beyond or arise out of such expiry or termination of this Agreement.

## 9.6 Severability

If any provision of this Agreement is determined to be invalid or unenforceable under the laws of the Province of Alberta or the laws of Canada applicable therein or under any Applicable Laws or the terms and provisions of any authorizations, the remainder of this Agreement, or the application of the provisions of this Agreement to Persons or circumstances other than those to which it is held invalid or unenforceable, will not be affected thereby.

## 9.7 Waiver

- (a) No waiver by any Party of any default by the other Party in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the other Party from performance of, any other provision, condition or requirement herein, nor shall such waiver be deemed to be a waiver of, or in any manner a release of, the other Party from future performance of the same provision, condition or requirement.
- (b) Any delay in exercising or failure to exercise any right, remedy, power or privilege hereunder on the part of any Party shall not operate as a waiver thereof nor impair the exercise of any such right, remedy, power or privilege or any other right, remedy, power or privilege accruing to such Party thereafter.
- (c) The failure of a Party to perform its obligations hereunder shall not release the other Party from the performance of its obligations.

## 9.8 Confidentiality and Public Announcements

- (a) Each Party (in this Section, the "**Receiving Party**") shall keep confidential all information obtained from the other Parties (in this Section, the "**Disclosing Party**") in connection with the Royalty Lands, this Agreement, and the transactions contemplated hereby that is not within the public domain through no act or fault of the Receiving Party (and for such purposes, specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain) (the "**Confidential Information**") and shall not release any such Confidential Information, without the prior written consent of the Disclosing Party, which consent shall not be unreasonably withheld or delayed. Nothing contained herein shall prevent a Party at any time from furnishing information:
  - (i) to any Governmental Authority or to the public if required by Applicable Laws, including securities laws or the rules of any stock exchange on which any securities of the Party (or its Affiliate) are listed, provided that the Parties shall use reasonable commercial efforts to consult with each other prior to disclosing any Confidential Information to such Governmental Authority or making any public statement or otherwise disclosing any Confidential Information to the public including filing a redacted form of this Agreement in which case the Disclosing Party shall redact all of the provisions reasonably requested by the other Party;
  - (ii) in connection with obtaining consents or complying with Rights of First Refusal contained in Title Documents and any other agreements and documents to which the Royalty Lands are subject;

Following Closing, the obligations of confidentiality set forth in Subsection 9.8(a) shall be superseded by the confidentiality obligations set forth in the Royalty Agreement; and shall otherwise continue to apply to Purchaser with respect to other information provided by Vendor to Purchaser, if any.

## 9.9 Amendment

This Agreement may not be varied or amended in its terms otherwise than by an instrument in writing dated subsequent to the date hereof, executed by duly authorized representatives of the Parties.

## 9.10 Time

Time shall be of the essence hereof.

**9.11 Governing Law**

This Agreement will be construed in accordance with and governed by the laws in force in the Province of Alberta and the laws of Canada applicable in the Province of Alberta.

**9.12 Enurement**

This Agreement shall enure to the benefit of and be binding upon the Parties and, to the extent permitted hereunder, their successors and assigns.

*The Rest of this Page is left Intentionally Blank*

**9.13 Counterpart and Facsimile Execution**

This Agreement may be executed in as many counterparts as are deemed necessary, and may be delivered by facsimile or in electronic pdf form, and when so executed and delivered, each such counterpart is as valid and binding on all Parties as every other such counterpart.

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written.

**TOURMALINE OIL CORP.****TOPAZ ENERGY CORP.**

Per: (signed) "Drew Tumbach"  
Drew Tumbach  
Vice President, Land and Contracts

Per: (signed) "Marty Staples"  
Marty Staples  
President and Chief Executive Officer

*This is the Execution Page to the Royalty Sale Agreement dated July 15, 2021 between  
Tourmaline Oil Corp. and Topaz Energy Corp.*

SCHEDULE A1  
BLACK SWAN ROYALTY LANDS

---



[Land schedule redacted]

SCHEDULE A2  
OTHER ROYALTY LANDS

---



[Land schedule redacted]

SCHEDULE B  
DISCLOSURE

---

NIL

SCHEDULE "C"  
FORM OF ROYALTY AGREEMENT

---

Attached.

---

GROSS OVERRIDING ROYALTY AGREEMENT

---

BETWEEN

TOURMALINE OIL CORP.

AND

TOPAZ ENERGY CORP.

August 1, 2021

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## GROSS OVERRIDING ROYALTY AGREEMENT

THIS GROSS ROYALTY AGREEMENT dated the 1<sup>st</sup> day of August, 2021.

BETWEEN:

**TOURMALINE OIL CORP.**, a corporation amalgamated under the laws of Alberta ("**Grantor**")

AND

**TOPAZ ENERGY CORP.**, a corporation incorporated under the laws of Alberta ("**Royalty Owner**")

**WHEREAS** pursuant to the Royalty Sale Agreement, Grantor agreed to grant the Royalty to Royalty Owner, upon and subject to the terms of this Agreement.

**NOW THEREFORE** in consideration of the mutual covenants, agreements and obligations set out below and to be performed, the Parties hereby agree as follows:

### ARTICLE 1 DEFINITIONS

#### 1.1 Definitions

In this Agreement, including the recitals, definitions and Exhibits:

- (a) "**Affiliate**" of any Person means any other Person who directly or indirectly Controls, or is Controlled by, or is under common Control with, such Person.
- (b) "**Applicable Laws**" means, in relation to any Person, property, activity, transaction or event, all laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice and orders of, and the terms of all judgments, orders, awards and decrees issued by, any Governmental Authority by which such Person is bound or having application to the Person, property, activity, transaction or event in question.
- (c) "**Assignment Procedure**" means the 1993 CAPL Assignment Procedure which by this reference is adopted and entirely incorporated into this Agreement and will be deemed to apply as if it had been included as a separate Schedule to this Agreement.
- (d) "**Business Day**" means a day on which banks are generally open for the transaction of commercial business in Calgary, Alberta, but does not in any event include a Saturday or a Sunday or statutory holiday in Alberta.
- (e) "**Claim**" means any cause of action, action, account, lien of any kind whatsoever, claim, demand, lawsuit, audit, proceeding, or arbitration, including any proceeding or investigation by a Governmental Authority.
- (f) "**Condensate**" means a mixture mainly of pentanes and heavier hydrocarbons that may be contaminated with sulphur compounds, that is recovered or is recoverable at a well from an underground reservoir and that may be gaseous in its virgin reservoir state but is liquid at the conditions under which its volume is measured or estimated, including pentanes, but excluding Natural Gas Liquids obtained from the processing of Condensate and Gas.
- (g) "**Condensate Delivery Point**" means the "Pembina Namao (Canadian Diluent Hub) Delivery Point" as defined in the Pembina Peace LVP Pipeline System Petroleum Toll Schedule, or such other point of delivery as the Parties may, from time to time, agree, acting reasonably.
- (h) "**Confidential Information**" means Grantor Confidential Information and Royalty Owner Confidential Information or either of them, as the context requires or permits.

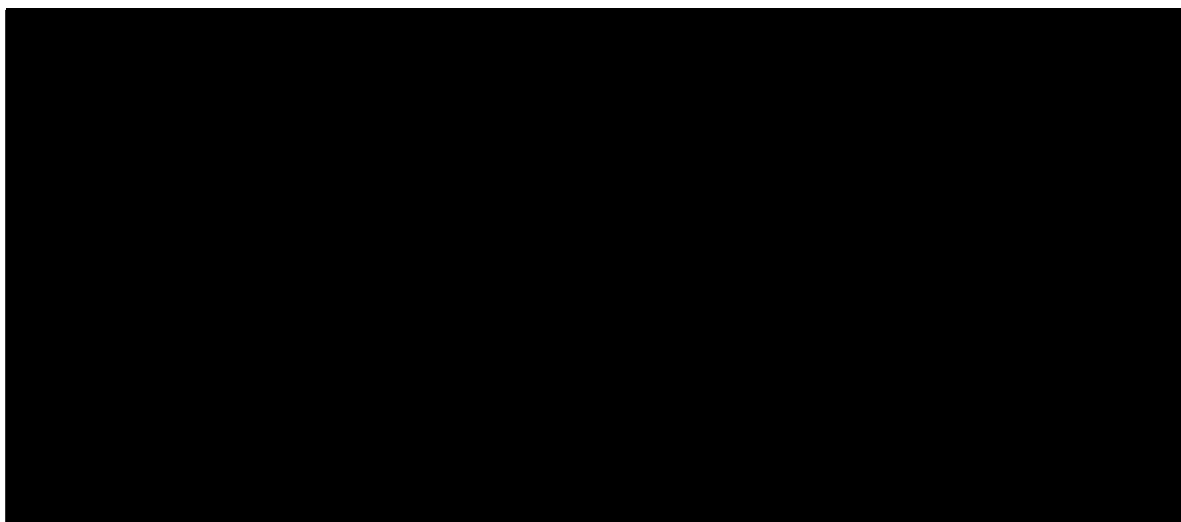
- (i) **"Consequential Losses"** means any consequential, incidental, punitive, special, exemplary or indirect damages, and whether or not in the nature of the foregoing, deferred profits or revenues, loss of business opportunity, losses based on loss of use, cost of use, including standby charges, loss of drilling rights and/or deferment of drilling or other business interruption losses and damages.
- (j) **"Control"** means one or more of the following:
- (i) a body corporate is controlled by a Person if: (A) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned, directly or indirectly, by such Person; and (B) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;
  - (ii) an association, partnership, limited liability company, trust or other organization is controlled by a Person if: (A) more than 50% of the ownership interests, however designated, into which the association, partnership, limited liability company, trust or other organization is divided are beneficially owned, directly or indirectly, by such Person; and (B) the Person is able to direct the business and affairs of the association, partnership, limited liability company, trust or other organization;
  - (iii) a body corporate, association, partnership, limited liability company, trust or other organization is controlled by a Person if such Person has, directly or indirectly, control in fact of the body corporate, association, partnership, limited liability company, trust or other organization; or
  - (iv) a body corporate, association, partnership, limited liability company, trust or other organization that controls (within the meaning of this definition) another body corporate, association, partnership, limited liability company, trust or other organization is deemed to control (within the meaning of this definition) any body corporate, association, partnership, limited liability company, trust or other organization that is controlled or deemed to be controlled (within the meaning of this definition) by the other body corporate, association, partnership, limited liability company, trust or other organization.
- (k) **"Crude Oil"** means a mixture mainly of pentanes and heavier hydrocarbons that may be contaminated with sulphur compounds, that is recovered or is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated, and includes all other hydrocarbon mixtures so recovered or recoverable except Gas or Condensate.
- (l) **"Crude Oil Delivery Point"** means the "Enbridge Edmonton Terminal Delivery Point" as defined in the Pembina Peace LVP Pipeline System Petroleum Toll Schedule, or such other point of delivery as the Parties may, from time to time, agree, acting reasonably.
- (m) **"Effective Date"** means August 1, 2021.
- (n) **"Environmental Liabilities"** means all losses and liabilities that relate to the Royalty Lands and Petroleum Substances attributed to Grantor's Working Interest in the Royalty Lands or that arise in connection with the ownership thereof or operations pertaining thereto, whether it has arisen in the past, hereof, or hereafter, including liabilities related to or arising from:
- (i) abandonment and reclamation obligations arising under or pursuant to the Applicable Laws;
  - (ii) past, present or future transportation, storage, use, holding or disposal of toxic or hazardous substances or waste;
  - (iii) leaching, migration, release, spill, escape or emission of toxic or hazardous substances or waste;
  - (iv) obligations to test, monitor, remediate, protect or clean-up the environment;

- (v) the costs of complying with any order or direction of any Government Authority having jurisdiction over the Royalty Lands or Petroleum Substances in the Royalty Lands; or
- (vi) damage, pollution, contamination or other adverse situations pertaining to the environment howsoever of or to the environment,

and including liabilities to compensate Third Parties for damages and losses resulting from the items described in items (i) - (vi) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the environment and, for purposes of this Agreement, "the environment" includes the air, the surface and subsurface of the earth, bodies of water (including rivers, streams, lakes and aquifers) and plant, human and animal life.

- (o) "**Force Majeure**" has the meaning set forth in Section 9.1(b).
- (p) "**GAAP**" means generally accepted accounting principles accepted in Canada which are in effect from time to time.
- (q) "**Gas**" means a mixture containing methane, other paraffinic hydrocarbons, nitrogen, carbon dioxide, hydrogen sulphide, helium and minor impurities, or some of them, which is recovered or is recoverable at a well from an underground reservoir and which is gaseous at the conditions under which the volume is measured or estimated, excluding Natural Gas Liquids obtained from the processing of Gas.
- (r) "**Good Operating Practice**" means, in relation to a function or activity, any of the practices, methods and acts that should be adopted at the relevant time by a Person exercising that degree of knowledge, skill, diligence, prudence and foresight that would reasonably and ordinarily be expected from a skilled and experienced oil and gas operator engaged in providing the applicable functions or activity, under the same or similar circumstances. Good Operating Practice is not restricted to the optimum practice, method or act to the exclusion of all others but rather comprises the spectrum of acceptable practices, methods and acts applicable to the specific circumstance.
- (s) "**Governmental Authority**" means, in relation to any Person, property, activity, transaction or event, any: (i) federal, state, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise); (ii) agency, authority, commission, bureau, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (iii) court, tribunal, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; and (iv) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including securities exchanges, in each case having jurisdiction over such Person, property, activity, transaction or event.
- (t) "**Grantor Confidential Information**" means all information, data and technology concerning the business and affairs of Grantor or otherwise relating to Grantor, its business and its property, including all of the books and records of Grantor and all other proprietary, technological, technical, developmental, marketing, sales, operating, performance, cost, know how, business and process and similar business, financial and proprietary information.
- (u) "**Grantor's Working Interest**" means the right, title and interest of Grantor as lessee pursuant to a lease or other grant, in and to the Petroleum Substances, or any of them, within, upon or under the Royalty Lands, or any of them, set out in Schedule A hereto.
- (v) "**Horizontal Leg**" means any single wellbore downhole from the point of kickoff from a Vertical Stratigraphic Well bore if a portion of that wellbore is drilled with an inclination of at least 80 degrees into a formation, each of which shall be treated as a separate Royalty Well.
- (w) "**Horizontal Well**" means a well that is a Horizontal Wellbore or a Horizontal Leg.
- (x) "**Horizontal Well Allocation**" has the meaning set forth in Section 2.4(a).

- (y) **"Horizontal Wellbore"** means any single wellbore not consisting of one or more Horizontal Legs, where a portion of that wellbore is drilled with an inclination of at least 80 degrees into a formation.
- (z) **"Insolvency Event"** occurs in relation to a Person if:
- (i) the Person commences (or consents to the commencement of) a voluntary case or other proceeding to be adjudicated a voluntary bankrupt or seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency, reorganization or other similar law of any jurisdiction now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it, or consents to the filing of a bankruptcy proceeding against it or to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it;
  - (ii) an involuntary case or other proceeding is commenced against the Person seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 10 days; or
  - (iii) an order for relief shall be entered against that Person under any foreign, Canadian federal or provincial bankruptcy laws of any jurisdiction as now or hereafter in effect.
- (aa) **"Interest Rate"** means the floating rate of interest established from time to time by the head office of the primary bank of Tourmaline as the reference rate it will use to determine rates of interest payable by its borrowers on Canadian dollar commercial loans made by the bank to such borrowers in Canada and designated by such bank as its "prime rate" plus 2%.
- (bb) **"Liabilities"** means any and all liabilities and obligations whether under common law, in equity, under Applicable Laws or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent, and whether based on fault, strict liability or otherwise.
- (cc) **"Losses"** means, in respect of a Person and in relation to a matter, any and all losses, damages, costs, expenses, charges (including all penalties, assessments and fines) which such Person suffers, sustains, pays or incurs in connection with such matter and includes taxes, reasonable costs of legal counsel (on a solicitor and client basis) and other professional advisors and consultants and reasonable costs of investigating and defending any Claims arising from the matter, regardless of whether such Claims are sustained.
- (dd) **"Market Price"** means: [Pricing details redacted]



- (ee) **"Marketing Fee"** means, subject to Section 2.6(d), a fee equal to [REDACTED] [Amount redacted]
- (ff) **"Month"** means a period of time commencing at the beginning of the first Day of a calendar month and ending at the beginning of the first Day of the next calendar month.
- (gg) **"Natural Gas Liquids"** means ethane, propane or butanes, or a combination of them, obtained from the processing of Gas or Condensate but for certainty, excluding pentanes.
- (hh) **"Party"** means a party to this Agreement from time to time.
- (ii) **"Payment Default"** means the failure by Grantor to pay the Royalty or any other amounts owing to Royalty Owner under this Agreement within 5 Business Days of receiving notice of such default from Royalty Owner.
- (ji) **"Person"** means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status.
- (kk) **"Petroleum Substances"** means Condensate, Crude Oil, Gas, or any of them, an interest in or the right to drill for, win, take or remove same is granted or acquired under the Title Documents to the extent the Title Documents comprise the Royalty Lands or which are allocated to the Royalty Lands, other than Natural Gas Liquids.
- (ll) **"Point of Sale"** means the first point at which Petroleum Substances from the Royalty Lands could ordinarily be made available for sale to an arm's length purchaser.
- (mm) **"Pooled or Unitized Well Allocation"** has the meaning set forth in Section 2.5(c).
- (nn) **"Required Well Information"** means the well information more particularly set out in Schedule C.
- (oo) **"Review Period"** means the period commencing on the date of this Agreement and ending on a date that is the earlier of:
- (i) two (2) years from the date hereof; and
  - (ii) the date that Purchaser enters into an agreement with a Third Party to dispose of the Royalty granted to Purchaser pursuant to the Royalty Agreement, whether in whole or in part.
- (pp) **"Royalty"** means the non-convertible gross overriding royalty, being an interest in Grantor's Working Interest in the Petroleum Substances within, upon, or attributed to, the Royalty Lands, granted by Grantor to Royalty Owner pursuant to Section 2.1.
- (qq) **"Royalty Determination Point"** means the first point at which Petroleum Substances are metered, measured or allocated downstream of the wellhead after, as applicable:
- (i) any treatment of crude oil for the separation, removal and disposal of basic sediment and water;
  - (ii) any extraction of liquid hydrocarbons from natural gas at or near the wellhead and any wellsite separation, removal and disposal of basic sediment and water from those liquid hydrocarbons; and
  - (iii) any wellsite dehydration of natural gas.
- (rr) **"Royalty Lands"** means the lands set forth and described in Schedule A hereto, as may be amended from time to time during the Review Period by the addition of Subsequently Identified Royalty Lands pursuant to Section

1.8, or so much of those rights as remain subject to the Agreement and the Title Documents at the relevant time, and includes the Petroleum Substances within, upon, under or attributed to those Royalty Lands.

- (ss) **"Royalty Owner Confidential Information"** means all information, data and technology concerning the business and affairs of Royalty Owner or otherwise relating to Royalty Owner, its business and its property, including all of the books and records of Royalty Owner and all other proprietary, technological, technical, developmental, marketing, sales, operating, performance, cost, know how, business and process and similar business, financial and proprietary information.
- (tt) **"Royalty Share"** has the meaning set forth in Section 2.2(a)(ii).
- (uu) **"Royalty Share Proceeds"** means, in respect of each calendar month, proceeds equal to the Royalty Share of Petroleum Substances produced in that calendar month multiplied by the applicable Market Price for such Petroleum Substances in that calendar month.
- (vv) **"Royalty Sale Agreement"** means the Royalty Sale Agreement dated July 15, 2021 between Grantor and Royalty Owner, pursuant to which, inter alia, Grantor agreed to grant the Royalty to Royalty Owner.
- (ww) **"Royalty Well"** means any well, including a Horizontal Well, from which production is or may be obtained from the Royalty Lands or may be allocated to the Royalty Lands pursuant to a pooling, unit or other arrangement.
- (xx) **"Schedules"** means the schedules attached to the body of this Agreement, as described in Section 1.7.
- (yy) **"Spacing Unit"** means the area of the Royalty Lands allocated to a Royalty Well under Applicable Laws for production of applicable Petroleum Substances therefrom.
- (zz) **"Subsequently Identified Royalty Lands"** has the meaning set forth in Section 1.8(b).
- (aaa) **"TIK Royalty Share Delivery Point"** means:
- (i) in respect of Gas, the Point of Sale; and
  - (ii) in respect of Crude Oil or Condensate, the Crude Oil Delivery Point or the Condensate Delivery Point, as applicable.
- (bbb) **"Third Party"** means any Person other than a Party.
- (ccc) **"Title Documents"** means, collectively, the fee title, various leases, reservations, permits, licences, agreements and other documents of title relating to the acquisition, ownership or operation by Grantor of the Petroleum Substances in the Royalty Lands by virtue of which the holder is owner or entitled to issue a lease or other agreement to explore for, drill for, recover, remove or dispose of Petroleum Substances from the Royalty Lands and all similar documents of title issued pursuant thereto, in renewal or replacement thereof or substitution therefor and all other documents relating to Grantor's right, estate and interest in the Royalty Lands or the Petroleum Substances.
- (ddd) **"Tourmaline Acquisition Agreements"** mean the agreement of purchase and sale dated April 30, 2021 between Paramount Resources Ltd. and Tourmaline Oil Corp., and the amalgamation agreement among Black Swan Energy Ltd., Tourmaline Oil Corp., and 13091449 Canada Inc. dated June 10, 2021.
- (eee) **"Vertical Stratigraphic Wellbore"** means a wellbore which is drilled vertically with the intent that one or more Horizontal Legs may be kicked off from that well bore, and which portion of that wellbore is uphole of the point at which a given Horizontal Leg is kicked off from that wellbore.

## 1.2 Extended Meanings

In this Agreement, unless the context requires otherwise:

- (a) words importing the singular number include the plural and *vice versa*;
- (b) words importing the masculine gender include the feminine and neuter genders;
- (c) if a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning;
- (d) words and phrases which are not defined herein but have a generally accepted meaning in the custom and usage of the upstream oil and gas industry in the Province of Alberta as at the date hereof shall be given such generally accepted meaning;
- (e) the terms "herein", "hereby", "hereof", "hereunder", "hereto" and similar expressions mean or refer to this Agreement and not to any particular provision of this Agreement;
- (f) the use of the word "include" or "including" shall be deemed to mean "include, without limitation", or "including, without limitation", as applicable;
- (g) references to any Person (including any Governmental Authority) include such Person's permitted successors and assigns;
- (h) any reference to a Person in a particular capacity is and is deemed to be a reference to that Person in that capacity and not in any other capacity;
- (i) 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;
- (j) references to any Applicable Law (including any statute referenced in this Agreement) means such Applicable Law as amended, modified, codified, replaced or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and references to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or re-enactment of such section or other provision;
- (k) references to Articles, Sections, Subsections or Schedules refer to articles, sections, subsections or schedules of this Agreement;
- (l) headings and the table of contents are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents hereof;
- (m) the rule of contractual interpretation known as "*contra proferentem*" shall not apply to the interpretation or construction of this Agreement, such that in interpreting this Agreement, it shall be irrelevant which Party drafted any particular provision hereof;
- (n) all dollar amounts referred to in this Agreement are in Canadian dollars, unless otherwise indicated herein;
- (o) payments are to be made in immediately available Canadian dollars;
- (p) unless otherwise indicated, references to the time of day or date mean the local time or date in Calgary, Alberta;
- (q) unless otherwise specified herein, or as the context may require, computation of any period of time referred to in this Agreement shall exclude the first day and include the last day of such period; and

- (r) where any payment or calculation is to be made, or any other action is to be taken, on or as of a day that is not a Business Day, then unless otherwise provided herein, such payment or calculation is to be made, or the other action is to be taken, as applicable, on or as of the next following Business Day, unless such next following Business Day falls in the next calendar month, in which event the payment or calculation is to be made, or the other action is to be taken, as applicable, on or as of the immediately preceding Business Day.

### **1.3 Accounting Matters**

Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purposes of this Agreement, such determination, consolidation or computation shall, unless the Parties otherwise agree or the context otherwise requires, be made in accordance with GAAP, as adopted by Grantor and applied on a consistent basis.

### **1.4 Index**

If, during the Term, any index or price quotation to which reference is made in this Agreement ceases to be published, or if the basis for such index or price quotation is changed materially, Grantor and Royalty Owner shall proceed diligently and in good faith to attempt to reach agreement on an alternative, but substantially equivalent, index or prevailing reference price, in either case, that is most commonly quoted and used by traders in Western Canada to calculate a "market price" for the applicable commodities in question taking into account the applicable geographic location of the affected Royalty Lands.

### **1.5 Multiple Royalty Owner Parties**

If, at any time, Royalty Owner comprises more than one Party:

- (a) information and notices to be provided to Royalty Owner will be provided individually to each Royalty Owner Party;
- (b) elections to be made by Royalty Owner may be made individually by each Royalty Owner; and
- (c) the rights and obligations of Royalty Owner will accrue to each Royalty Owner on a several, and not joint or joint or several basis, in proportion to their respective interests in the Royalty.

however, unless otherwise agreed to by Grantor, Grantor shall not be required to remit the Royalty separately to a Royalty Owner that holds less than a 50% Royalty Share and any such Royalty Owner shall appoint another Royalty Owner as its designate to receive its Royalty Share.

### **1.6 Interest in Land**

It is the express intention of the Parties that:

- (a) the Royalty herein granted by Grantor to Royalty Owner is granted and carved out of Grantor's Working Interest and constitutes, and is to be construed as, an interest in land in the Royalty Lands;
- (b) all terms, covenants, provisions and conditions of this Agreement shall run with and be binding upon the Royalty Lands and the Title Documents, and the estates affected thereby for the duration of this Agreement;
- (c) the Royalty shall apply to:
  - (i) Grantor's Working Interest in and to the Royalty Lands;
  - (ii) all renewals, extensions, conversions and other similar arrangements with respect to any Title Document (whether obtained before or after the date of this Agreement), including pursuant to Section 5.7;

- (iii) any rights of Grantor to explore for or produce Petroleum Substances from the Royalty Lands; and
- (iv) any leases or other grants of rights arising out of the Grantor's Working Interest;
- (d) the Royalty is capable of supporting, and Royalty Owner is entitled to register and maintain in respect of the Royalty, caveats, liens or other applicable interests against the Grantor's Working Interest; and
- (e) Grantor shall co-operate with Royalty Owner in taking any commercially reasonable actions that are necessary or appropriate to support and defend the Parties' intentions as set out in this Section 1.6.

## 1.7 Schedules

The following Schedules are attached hereto and form a part of this Agreement.

### Schedule A Royalty Lands

### Schedule B Required Well Information

If there is a conflict between the body of this Agreement and any Schedule, the body of this Agreement shall govern and prevail to the extent of the inconsistency.

## 1.8 Omissions or Misdescriptions

- (a) The Parties acknowledge that the Royalty Lands are intended to include all Grantor's Working Interest in all of the petroleum and natural gas rights acquired by Grantor under the Tourmaline Acquisition Agreements. Although Grantor has prepared, and Royalty Owner has reviewed Schedule A diligently and with good faith, they recognize that there may be unintended omissions or misdescriptions.
- (b) If, during the Review Period, a Party identifies any lands that were acquired by Grantor under the Tourmaline Acquisition Agreements and such lands are not included in Schedule A ("**Subsequently Identified Royalty Lands**"), such Party shall provide written notice of the Subsequently Identified Royalty Lands to the other Party. If such Subsequently Identified Royalty Lands were acquired by Grantor under the Tourmaline Acquisition Agreements, Grantor shall update and replace Schedule A to include the Subsequently Identified Royalty Lands and such updated Schedule A shall be conclusively deemed to be Schedule A to this Agreement, effective as of the date of this Agreement.
- (c) Grantor agrees that, during the Review Period, it shall provide notice to Royalty Owner of any Subsequently Identified Royalty Lands of which it becomes aware.
- (d) At the expiry of the Review Period, Schedule A, as amended for any Subsequently Identified Royalty Lands, shall be, and shall conclusively be deemed to be, true and correct. For certainty, from and after the Review Period, any lands that were acquired by Grantor under the Tourmaline Acquisition Agreements but that are not included in Schedule A, as amended pursuant to Section 1.8(b) to include Subsequently Identified Royalty Lands, shall be deemed not to be (and to never have been) Royalty Lands for any purpose of this Agreement.

## ARTICLE 2 GROSS ROYALTY

### 2.1 Grant of Royalty

Grantor hereby irrevocably grants, assigns and sets over to Royalty Owner, and Royalty Owner hereby acquires from Grantor out of Grantor's Working Interest, effective as of the Effective Date, an undivided interest in and to the Petroleum Substances within, upon or under the Royalty Lands equal to the Royalty Share thereof (the "**Royalty**") free and clear of all encumbrances and deductions whatsoever except as specified herein.

## 2.2 Quantification of Royalty

- (a) The gross volume of Petroleum Substances comprising the Royalty (the "**Royalty Share**") shall be determined, at the Royalty Determination Point, on a Royalty Well by Royalty Well basis, as follows:
- (i) the volume of Petroleum Substances as metered, measured or allocated at the Point of Sale shall be allocated back to each Royalty Well on a fair and reasonable basis, subject to the provisions of Section 2.4 and Section 2.5; and
  - (ii) for gross volume of Petroleum Substances produced from the Royalty Lands and allocated to a Royalty Well hereunder, as follows:
    - (A) for Crude Oil and Condensate, 2.5%; and
    - (B) for Gas:
      - (I) 4% from the Effective Date until December 31, 2023; and
      - (II) 3% from and after January 1, 2024.
- (b) Notwithstanding the foregoing, the Royalty Share shall not include:
- (i) Petroleum Substances from any Royalty Well if Grantor is in a penalty position with respect to production from that Royalty Well, until such time as Grantor has become entitled to production therefrom in accordance with the operating procedure that governs such Royalty Well;
  - (ii) Petroleum Substances that Grantor is entitled to as a result of a joint operator in the Royalty Well being in a penalty position with respect to production from that Royalty Well;
  - (iii) Petroleum Substances that Grantor reasonably uses or unavoidably loses in Grantor's drilling and production operations for the Royalty Lands, including the proportionate use of those Petroleum Substances in batteries, treaters, compressors, separators, satellites and similar equipment serving Royalty Wells, other than Petroleum Substances used for any enhanced recovery operations; or
  - (iv) any Petroleum Substances not originally produced from a Royalty Well, but which are injected into a Royalty Well for a fracture stimulation program, or for storage purposes and which are subsequently recovered.

## 2.3 Royalty Share Not Taken in Kind

- (a) Insofar as Royalty Owner does not take the Royalty Share in kind, Royalty Owner appoints Grantor as its agent for the handling and disposition of the Royalty Share of Petroleum Substances.
- (b) Grantor shall dispose of those Petroleum Substances on behalf of Royalty Owner by:
- (i) selling them at the Market Price; or
  - (ii) purchasing them for Grantor's own account (or the account of an Affiliate) at the Market Price,
- and, in either case, accounting to Royalty Owner for the Royalty Share Proceeds thereof after deducting therefrom, the Marketing Fee.
- (c) Grantor shall hold the Petroleum Substances attributable to the Royalty and the Royalty Share Proceeds therefrom, net of the Marketing Fee, as trustee for Royalty Owner and subject to the terms of this Agreement.

- (d) If not taken in kind by Royalty Owner, the Royalty Share of Petroleum Substances produced from the Royalty Lands will be free and clear of any and all deductions whatsoever for costs and expenses incurred to the Point of Sale, other than the Marketing Fee.

#### 2.4 Royalty Allocation Methodology for Certain Horizontal Wells

- (a) For purposes hereof, if a Horizontal Well is located on a Spacing Unit that includes the Royalty Lands and a Spacing Unit that does not include the Royalty Lands, the "**Horizontal Well Allocation**" is equal to:
- (i) in the case of a Horizontal Wellbore, that percentage that the total horizontal perforated length or total open hole length of the Horizontal Wellbore is to the perforated portion or open hole portion of the Horizontal Wellbore that is located on a Spacing Unit that includes the Royalty Lands; and
  - (ii) in the case of a Horizontal Leg, that percentage that the total perforated horizontal length or total open hole length (from heel to toe) of the Horizontal Leg is to the perforated portion or open hole portion of the Horizontal Leg that is located on a Spacing Unit that includes the Royalty Lands.
- (b) Subject to Section 2.5, the gross volume of Petroleum Substances produced from a Horizontal Well allocated to a Spacing Unit that includes Royalty Lands will be determined by multiplying the Horizontal Well Allocation by the gross volume of Petroleum Substances produced from that Horizontal Well.
- (c) If a Royalty Well includes more than one Horizontal Leg, Grantor will make the calculation contemplated in this Section 2.5(b) for each Horizontal Leg as if it were itself an individual Royalty Well.

#### 2.5 Effect of Pooling or Unitization on Calculation

- (a) Grantor may, or may permit, the pooling of the Petroleum Substances attributed to the Royalty Lands to the extent required to form a Spacing Unit, without the prior consent of Royalty Owner, if the pooling allocates production therefrom to the applicable Royalty Lands in the proportion that the surface area of the Royalty Lands placed on the Spacing Unit bears to the total surface area of the Spacing Unit (the "**Pooled or Unitized Well Allocation**"). Grantor shall promptly give notice to Royalty Owner describing the extent to which the Royalty Lands have been pooled and describing the pooled Spacing Unit.
- (b) If Grantor intends to propose, or permit the pooling, unitization or other combination of any portion of the Royalty Lands with any other lands, other than as provided in Section 2.5(a), Grantor must promptly send notice of that intention to Royalty Owner. Such notice must include the technical justification for that pooling, unitization or combination and the proposed terms thereof, provided that the Grantor will not be required to provide interpretive data to Royalty Owner.
- (c) If any portion of the Royalty Lands is pooled, unitized or combined with any other lands pursuant to this Section 2.5, the gross volume of Petroleum Substances attributable to such Royalty Lands will be deemed to be amended to calculate the Royalty Share by multiplying the Pooled or Unitized Well Allocation by the gross volume of Petroleum Substances produced from that Royalty Well.

#### 2.6 Right To Take In Kind

- (a) Subject to Section 3.3(d) and Section 3.4, Royalty Owner may, on a minimum of 120 days notice to Grantor, revoke the agency established in Section 2.3(a) and elect to take delivery of all or a portion of the Royalty Share at the applicable TIK Royalty Share Delivery Point and separately dispose of the same, subject to the following:
- (i) the right may be exercised by Royalty Owner separately for each type of Petroleum Substance, effective at the 1<sup>st</sup> day of the calendar month next following the minimum 120 day period;
  - (ii) Royalty Owner shall provide Grantor with evidence, satisfactory to Grantor, acting reasonably, that Royalty Owner has made arrangements to take its share of Petroleum Substances and dispose of them;

provided that if Royalty Owner does not provide such evidence on a timely basis, and in any event, no less than 60 days prior to the 1<sup>st</sup> day of the calendar month next following such 60 day period, or such other time as Grantor may reasonably require, or having done so does not actually take such Petroleum Substances, shall be deemed to have failed to take those Petroleum Substances in kind and Sections 2.6(d) and 2.6(e) shall apply.

- (b) Insofar as Royalty Owner has elected to revoke the agency established in Section 2.6(a), but subject to the term of any sales arrangements agreed to by Royalty Owner pursuant to Section 2.6(e), Royalty Owner may re-establish that agency on a minimum of 120 days' notice to Grantor, effective as of the 1<sup>st</sup> day of the calendar month next following the minimum 120 day period.
- (c) Grantor shall:
  - (i) for the Royalty Share of Crude Oil and Condensate taken in kind:
    - (A) remove basic sediment and water from such Petroleum Substances in accordance with Good Oilfield Practices so that relevant pipeline specifications can be met; and
    - (B) deliver the Petroleum Substances comprising the Royalty Share of Crude Oil and Condensate to Royalty Owner, or its nominee, at the applicable TIK Royalty Share Delivery Point in accordance with usual and customary pipeline and shipping practice, free and clear of all charges whatsoever, other than fees and expenses (including adjustments for quality) incurred by Grantor in connection with the transportation of the Royalty Share of Crude Oil or the Royalty Share of Condensate, as applicable, from Point of Sale to the applicable TIK Royalty Share Delivery Point; and
  - (ii) for the Royalty Share of Gas, deliver the Royalty Share of Gas to Royalty Owner, or its nominee, at the applicable TIK Royalty Share Delivery Point for the relevant Royalty Well.
- (d) Unless otherwise agreed to by Grantor and Royalty Owner, if and only if Royalty Owner elects to take its Royalty Share of Petroleum Substances in kind, but fails to (or is deemed to have failed to) take possession thereof at the applicable TIK Royalty Share Delivery Point, Grantor shall take possession of such Petroleum Substances as agent of Royalty Owner and shall dispose of those Petroleum Substances by selling those Petroleum Substances at a price that reflects the then current market conditions, adjusted for deductions, in such case only, to the applicable TIK Royalty Share Delivery Point, in an amount not to exceed the reasonable costs and expenses incurred by Grantor to bring those Petroleum Substances to the applicable TIK Royalty Share Delivery Point. Grantor shall be entitled to, and paid, the Marketing Fee; provided that, for the purposes of this Section 2.6(d), the Marketing Fee shall be deemed to be equal to 2% of the Royalty Share Proceeds.
- (e) Unless otherwise agreed to by Royalty Owner, Grantor may only sell the Petroleum Substances comprising the Royalty Share pursuant to Section 2.6(d) under an arrangement that, as it affects those Petroleum Substances, is terminable at any time on not greater than 1 month's notice by Royalty Owner to Grantor without an early termination penalty or other cost or such other notice period as is common for the nature of the transaction.

### **ARTICLE 3 PAYMENT OF ROYALTY SHARE**

#### **3.1 Monthly Accounting**

- (a) Grantor may commingle the Royalty Share of Proceeds with its own funds, but notwithstanding such commingling, Grantor is, and will be deemed to be, holding the Royalty Share Proceeds in trust for Royalty Owner.

- (b) Grantor shall remit to Royalty Owner all funds accruing to Royalty Owner on account of the Royalty on or before the 25<sup>th</sup> day of the calendar month next following the calendar month in which those funds were received by Grantor.
- (c) Grantor shall provide the Royalty Owner with a statement in written or electronic format showing, in reasonable detail, Grantor's calculation of the Royalty Share payable to Royalty Owner for the applicable calendar month, including the unit sales prices therefor.
- (d) Grantor will provide to Royalty Owner, on request, a copy of all reports Grantor is required to submit under Applicable Laws for the production of Petroleum Substances from the Royalty Lands if Royalty Owner does not have independent access to such information.

### **3.2 Royalty Owner's Lien**

As of and from and after the Effective Date, Royalty Owner shall have a lien on Grantor's Working Interest in the Royalty Lands, the wells and equipment thereon and the Petroleum Substances within, upon or under the Royalty Lands or produced therefrom. Both the Royalty and the lien are interests in land that attach to the Title Documents and the lien is a charge and encumbrance against Grantor's Working Interest, and its successors and assigns with respect to that to all or any portion of Grantor's Working Interest. Notwithstanding the foregoing, this lien will not preclude a Party entering into any *bona fide* financing that requires a pledge or the granting of security.

### **3.3 Payment Default**

If a Payment Default has occurred and is continuing, Royalty Owner shall have the right to:

- (a) charge interest on any unpaid amounts at the Interest Rate calculated monthly from the day such payment is due until the day it is paid;
- (b) set-off against any amount unpaid by Grantor, any sums due or accruing to Grantor or any Affiliate of Grantor from Royalty Owner under this Agreement or any other agreement between Royalty Owner and Grantor or any Affiliate of Grantor, whether entered into before or after the Effective Date;
- (c) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid, 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 to set-off or counter-claim by Grantor;
- (d) present this Agreement to Grantor, or any Third Party with an interest in the Royalty Lands, which shall be deemed to be sufficient notice, to immediately commence to take in-kind all or a portion of the Petroleum Substances comprising the Royalty in accordance with the provisions of Section 2.6, but without regard to the notice requirements set forth in Section 2.6;
- (e) exercise Royalty Owner's lien and present this Agreement to Grantor, or any Third Party with an interest in the Royalty Lands, which shall be deemed to be sufficient notice, to treat the Payment Default as an immediate and automatic assignment to Royalty Owner of the proceeds of sale attributed to the Royalty share of the Petroleum Substances from the Royalty Lands, and give notice to purchasers of Petroleum Substances from Grantor requiring them to pay the proceeds of sale of the Royalty share of Petroleum Substances from Royalty Lands directly to the duly appointed agent of Royalty Owner, which may be Royalty Owner, and such purchasers of Petroleum Substances shall be entitled to rely upon notice from Royalty Owner to such effect and to thereafter pay the proceeds of sale accordingly.

The rights and remedies granted to Royalty Owner hereunder are in addition to, and not in substitution for, any other right or remedy that Royalty Owner may have under the Agreement, at common law or in equity.

### **3.4 Insolvency Event**

If Grantor becomes subject to an Insolvency Event, Royalty Owner may present this Agreement to Grantor, or any Third Party with an interest in the Royalty Lands, which shall be deemed to be sufficient notice, to immediately commence to take in-kind all or a portion of the Petroleum Substances comprising the Royalty in accordance with the provisions of Section 2.6, but without regard to the notice requirements set forth in Section 2.6.

## **ARTICLE 4 BOOK, RECORDS AND AUDIT**

### **4.1 Books and Records**

Grantor shall keep and maintain true and correct books, records and accounts showing credits and charges hereunder and the kind and quantity of Petroleum Substances produced from and attributed to the Royalty Lands, and the disposition of the Royalty Share.

### **4.2 Audit of Royalty**

- (a) Royalty Owner may, upon reasonable notice to Grantor and at Royalty Owner's own expense, audit the books, records and accounts of Grantor, including production accounting and marketing records, with respect to the production, disposition or sale of the Royalty within 24 months next following the end of the applicable calendar year. Royalty Owner will conduct any such audit in accordance with PASC Joint Venture Audit Protocol Bulletin No. 6 (or any replacement therefor). If Grantor has issued a lease or grant in respect of the Royalty Lands, Grantor shall conduct such audit on behalf of Royalty Owner of such Third Party's records.
- (b) Any statement issued by Grantor to Royalty Owner respecting the calculation of the Royalty will be presumed to be true and correct 26 months following the end of the calendar year in which that statement was issued, unless a Party takes written exception thereto and requests an adjustment pursuant to this Section 3.1 within that 26 month period.
- (c) Any discrepancies disclosed by such audit shall be identified in writing to Grantor within 60 days following the completion of such audit, and Grantor shall respond in writing to any claims or discrepancies within 180 days of the receipt of such notice of claim or discrepancies. If Grantor does not respond in such 180 day period, a credit for the disputed amount shall be deemed to be made in favour of Royalty Owner.
- (d) To the extent that Grantor and Royalty Owner are unable to resolve any outstanding claims or discrepancies disclosed by such audit within 30 days of the response of Grantor, such audit exceptions shall be resolved by a nationally or internationally recognized firm of chartered accountants as may be selected by Grantor and Royalty Owner, which shall be requested to render its decision without qualifications, other than the usual qualifications relating to engagements of this nature, within 14 days after the dispute is referred to it.
- (e) The decision of the accounting firm shall be final and binding upon the Parties and shall not be subject to appeal by any Party. The costs and expenses of the accounting firm shall be borne by the unsuccessful party to any dispute referred to dispute resolution pursuant to this Section 3.1. Notwithstanding the foregoing audit period limitation, Royalty Owner's audit rights under this Section 3.1 shall be extended for the time period, and in respect of those books, records and accounts, as may be reasonably necessary to permit Royalty Owner to verify refunds or payments to be received or made by it pursuant to this Agreement.

## **ARTICLE 5 OPERATIONS**

### **5.1 Acknowledgement**

Grantor acknowledges that, except for Royalty Owner's rights and obligations under Section 2.6 with respect to Royalty Owner's right to take the Royalty Share in-kind, Royalty Owner is not liable for any of the duties and obligations arising in respect of the Royalty Lands or under any Title Documents.

### **5.2 Conduct of Operations**

Grantor shall conduct operations on the Royalty Lands and lands pooled or unitized therewith for the recovery of Petroleum Substances in accordance with Good Operating Practices, but shall have exclusive control and authority over development of, and recovery of Petroleum Substances from, the Royalty Lands and lands pooled or unitized therewith, including, without limitation, making all decisions respecting whether, when and how to drill, complete, equip, produce, suspend, abandon and shut-in wells, whether and when to conduct maintenance activities and whether to elect to convert royalties to working interests. Nothing contained in this Agreement shall impose any obligation, expressed or implied, on Grantor to explore or develop the Royalty Lands.

### **5.3 Indemnity**

Grantor shall indemnify and save Royalty Owner, its Affiliates and each of their respective directors, officers, employees, servants and agents, harmless from and against, all Claims that be brought against any of them or any and all Losses and Liabilities that any of them may suffer, sustain, pay or incur, by reason of any matter or thing arising out of or in any way attributable to the operations carried on by or on behalf of Grantor on or in connection with the Royalty Lands, including in respect of any and all Environmental Liabilities.

### **5.4 Required Well Information**

Grantor will, subject to any Third Party restrictions on disclosure, supply Royalty Owner with the Required Well Information on a monthly basis, such Required Well Information to be delivered at the same time as Grantor delivers the monthly statement to Royalty Owner pursuant to Section 3.1(c). Grantor will supply the Required Well Information under this Section 5.4 in accordance with established industry standards. Grantor will use reasonable commercial efforts to obtain consents of applicable Third Parties to disclose to Royalty Owner, on a confidential basis, any Required Well Information that is subject to restrictions on disclosure.

### **5.5 Royalty Wells to be Produced Equitably**

Grantor will not discriminate against Petroleum Substances produced or producible from the Royalty Lands in the production and marketing thereof because they are subject to the Royalty. Grantor will use reasonable efforts to produce Petroleum Substances from a Royalty Well equitably with production from any diagonally or laterally offsetting well producing from the same pool as the Royalty Well, insofar as Grantor or its Affiliate has an interest in the offsetting well.

### **5.6 Maintenance of Royalty Lands**

Grantor shall, at its own cost, subject to the provisions of Section 5.2, take such actions as may be reasonably necessary to maintain the Title Documents in good standing. This Section shall not, however, obligate Grantor to conduct any drilling, geophysical or geological operation for the Royalty Lands or to pay compensatory royalty to maintain a Title Document, as it pertains to the Royalty Lands, in full force and effect where the requirement to conduct such operation or to pay compensatory royalty may be avoided by the surrender of lands subject to the affected Title Document to the issuer thereof.

## 5.7 Surrender and Expiry

Grantor may surrender, terminate or let expire any Title Documents that Grantor, in its sole discretion, determines not to develop or that Grantor determines are not capable of producing Petroleum Substances in paying quantities. Grantor shall provide Royalty Owner with written notice of all leases or other grants of Petroleum Substances in respect of the Royalty Lands that are allowed to expire, or are terminated or surrendered. Any lease or grant that covers the same tract or property or any part thereof, covered by a lease or grant which Grantor surrendered, terminated or let expire, and which is acquired by Grantor or its wholly-owned or controlled Affiliate within twelve (12) months after the surrender, termination or expiry thereof, shall be deemed to be and shall be treated as a renewal or extension of the prior lease or interest and shall be subject to the Royalty.

## ARTICLE 6 ASSIGNMENT

### 6.1 Assignment by Royalty Owner

Subject to Section 1.5, Royalty Owner may transfer or assign its Royalty in whole or part, with the consent of Grantor not to be unreasonably withheld, conditioned or delayed.

### 6.2 Assignment by Grantor

If Grantor disposes of all or any part of its Grantor's Working Interest in the Royalty Lands or any of them, it shall continue to be bound by, observe, and perform all of the covenants and terms of this Agreement as if there had been no disposition until such time as the party acquiring such interest is bound by, or deemed to be bound by this Agreement (including pursuant to the Assignment Procedure) insofar as they relate to the interest transferred or assigned. Upon the party acquiring such interest being bound or deemed to be bound by this Agreement with respect to the interest transferred or assigned, Grantor shall be released and discharged from any and all liability and obligations thereafter accruing under this Agreement relating to the Royalty Lands, insofar as they relate to the interest so transferred or assigned.

### 6.3 Assignment Procedure to Apply

All assignments and transfers made pursuant to Section 6.1 shall be conducted in accordance with the Assignment Procedure to the extent consistent with this Article 6.

## ARTICLE 7 CONFIDENTIALITY

### 7.1 Confidentiality

Each Party will take such measures (including but not limited to execution of confidentiality agreements) respecting internal security and access to information as are appropriate to keep confidential from Third Parties and a Party not then entitled to it hereunder, all such Confidential Information received by it, except insofar as the disclosing Party has agreed, in writing, to release it, or a Party discloses it:

- (a) as required under applicable title and operating documents or to Governmental Authorities;
- (b) as required by Applicable Laws;
- (c) as required by securities laws applicable to it, provided that it will obtain any confidentiality protection permitted thereunder and that any such disclosure beyond that required by those laws is subject to the requirements of Section 7.3 for public announcements;
- (d) to a *bona fide* prospective assignee of its interests in this Agreement or a Third Party with which it is conducting *bona fide* negotiations directed towards a sale, merger, amalgamation or other similar transaction; provided that such disclosure is not prohibited by any other agreement to which such Confidential Information is subject, such

prospective assignee or Third Party has agreed to maintain the disclosed information confidential pursuant to or on terms substantially the same as this Article 7 and any Royalty Lands not otherwise forming part of a proposed sale are redacted;

- (e) to its Affiliates, duly appointed agents, professional advisors, consultants or independent contractors, to the extent appropriate for the applicable purpose, provided that:
  - (i) such Party will be deemed to have required each such Person to maintain the disclosed information confidential under this Article 7;
  - (ii) each such Person will be deemed to have accepted that obligation; and
  - (iii) such Party will be liable to, and, in addition, as a separate and independent covenant, will indemnify each other Party from and against any Claims that may be brought against such other Party or any Losses or Liabilities that the other Party suffers, sustains, pays or incurs because of the failure of that Person, to maintain that information confidential in accordance with the provisions hereof;
- (f) to the extent required by any legal or administrative proceedings or because of any order of a court or any Governmental Authority binding on it, provided that:
  - (i) it will promptly notify the other Party of any such anticipated disclosure; and
  - (ii) it will request any confidentiality protection permitted thereunder.

## **7.2 Exception to Confidentiality Requirement**

Notwithstanding Article 7, the confidentiality obligations therein will not extend to information contemplated in those Sections, insofar as that information:

- (a) is or becomes publicly available through no act or omission of a Party, or its employees, duly appointed agents, professional advisors, consultants or independent contractors in breach of the provisions of this Agreement;
- (b) is already in possession of the Party to which it was disclosed, or any of its employees, duly appointed agents, professional advisors, consultants or independent contractors, without prior restriction on disclosure;
- (c) is subsequently obtained lawfully by a Party from a Third Party which that Party does not reasonably believe is obligated to maintain that information confidential; or
- (d) is independently developed by a Party or its Affiliate without reference to the information required to be kept confidential hereunder.

However, specific items of information will not be considered to be in the public domain only because more general information is in the public domain.

## **7.3 Public Announcements**

- (a) Except as may be required by Applicable Laws, neither Party will make any press release or other public disclosure of this Agreement without the prior consent of the other Party, not to be unreasonably withheld. The Parties will consult with each other on public disclosure with a view to joint disclosure where practicable.
- (b) The Parties acknowledge that this Agreement may be required to be filed with and made publicly available under applicable securities laws and any Party subject to such requirements shall be permitted to do so, subject to the Party that is required to make such disclosure providing the other Party with details of the nature and substance of such disclosure as soon as possible, but in all cases, prior to the public release or filing thereof, and using its

reasonable efforts to ensure that the information so disclosed, insofar as it relates to the Parties and this Agreement, is only that which is necessary in order to comply with such laws or rules.

- (c) Notwithstanding the foregoing, either Party may issue a public announcement or release about an emergency without prior approval to do so, insofar as:
- (i) it reasonably determines that the other Party's prior approval of that disclosure is not feasible; and
  - (ii) it limits the release of Confidential Information to that information that is required to satisfy the requirements of Applicable Laws pertaining to an emergency or for other health and safety purposes arising from an emergency.

## **ARTICLE 8 TERM**

### **8.1 Term**

This Agreement shall continue in full force and effect for so long as there are Royalty Lands to which the Royalty applies.

## **ARTICLE 9 FORCE MAJEURE**

### **9.1 Force Majeure**

- (a) No Party shall be deemed to be in default in respect of any non-performance of its obligations hereunder nor be held responsible for any delay or failure in performance of any part of its obligations under this Agreement, to the extent caused by the occurrence of any Force Majeure.
- (b) When used in this Agreement, "**Force Majeure**" means an event, condition or circumstance that is beyond the control of the affected Party or of the directors, officer or other personnel of the affected Party or its Affiliates, and, as long as the foregoing qualifications are satisfied, includes:
- (i) an act of God, an act of public enemies or terrorists, acts of civil disobedience, including riots and blockades, or acts of war;
  - (ii) explosion, fire, landslide, subsidence, flood, earthquake or other natural disaster;
  - (iii) strikes or other industrial disturbances;
  - (iv) any restraint or action by a Governmental Authority after the date of this Agreement, including any act of expropriation, confiscation, compulsory acquisition or nationalization;
  - (v) failure to obtain or to obtain a renewal of any license, permit or other approval or authorization that is necessary for the provision of services or operations as contemplated in this Agreement, but only if the affected Party exercised all due diligence and used all reasonable efforts to obtain same; and
  - (vi) breakage of or accident to machinery or other facilities or equipment, but only to the extent not caused by a failure to maintain in accordance with Good Operating Practices or ordinary wear and tear.

Any events or circumstances that are similar to the foregoing and that result in the failure of a Third Party to deliver or supply any services, materials, equipment, fuel, electricity or other items or consumables to be incorporated into or used or consumed in operations and thereby delays or prevents the performance by a Party of any of its obligations under this Agreement shall also be construed as Force Majeure.

- (c) Notwithstanding the foregoing in this Section 9.1(a), in no event shall:
  - (i) lack of funds be construed as a Force Majeure; and
  - (ii) any obligation to pay money which would otherwise be due and payable or to provide indemnity under this Agreement be suspended or excused on account of Force Majeure.
- (d) Upon the occurrence of any Force Majeure that prevents or delays performance by a Party of any of its obligations under this Agreement, the affected Party shall:
  - (i) give notice of such occurrence to the other Party immediately after becoming aware thereof;
  - (ii) not be relieved or excused from the performance of any obligations to any greater extent or for any longer period than is required to remedy or overcome its inability to perform fully its obligations hereunder that were affected by such Force Majeure or the effects thereof;
  - (iii) use all commercially reasonable efforts to remedy or overcome such Force Majeure or the effects thereof and to resume full performance of its obligations hereunder that were affected by such Force Majeure or the effects thereof; and
  - (iv) promptly provide notice to the other Party of the resumption of its full performance of its obligations hereunder that were affected by such Force Majeure or the effects thereof.

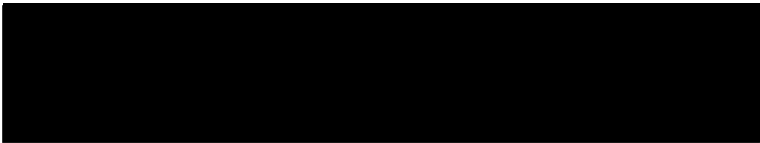
**ARTICLE 10  
NOTICE**

**10.1 Addresses for Service**

(a) Any notice, consent, approval, determination or other communication to be given or sent to a Party pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been validly given or received for the purposes of this Agreement if delivered personally or by facsimile or electronically as follows:

(i) to Grantor:

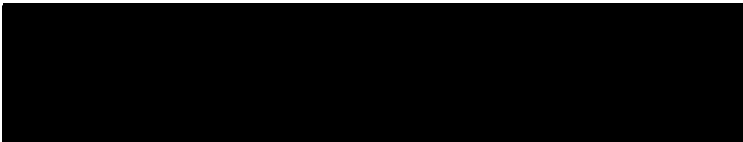
Tourmaline Oil Corp.  
2900, 250 6 Ave SW,  
Calgary, AB T2P 3H7



[Personal contact information redacted]

(ii) to Royalty Owner:

Topaz Energy Corp.  
2900, 250 6 Ave SW,  
Calgary, AB T2P 3H7



[Personal contact information redacted]

- (b) A Party may, at any time, change such Party's address for the purpose of service by written notice to the other Party.
- (c) Notices given by way of facsimile or other electronic means of communication shall be conclusively deemed to have been received on the date of their transmittal (if on a Business Day during normal business hours of the recipient and, if not, on the next Business Day). Notices delivered by hand or courier shall be conclusively deemed to have been received on the date of delivery.

## **ARTICLE 11 MISCELLANEOUS**

### **11.1 Costs and Expenses**

Except as specifically provided herein, all legal and other costs and expenses incurred by a Party in connection with this Agreement and the transactions contemplated hereby will be paid by the Party that incurred the same.

### **11.2 Further Assurances**

The Parties will execute and deliver such further instruments, papers and documents, and shall do such further acts and things as may reasonably be necessary or as may reasonably be requested for the purpose of carrying out the provisions of this Agreement.

### **11.3 No Third Party Beneficiary Rights**

Except as provided in Section 5.3, this Agreement shall be construed to benefit the Parties and their respective successors and permitted assigns only and shall not be construed to create Third Party beneficiary rights in any other Person.

### **11.4 Entire Agreement**

This Agreement constitutes the entire agreement of the Parties relating to, and there are no collateral or other statements, understandings, covenants, agreements, representations or warranties, written or oral, relating to, the subject matter of this Agreement. This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, between the Parties relating to the subject matter hereof or thereof.

### **11.5 Survival**

The expiry or termination of this Agreement will not discharge or release any Party from any of its Liabilities or obligations (including payment obligations) accrued at the time of such expiry or termination (including a breach of a representation, warranty or covenant) or from any of its Liabilities or obligations that expressly continue beyond or arise out of such expiry or termination of this Agreement.

### **11.6 Severability**

If any provision of this Agreement is determined to be invalid or unenforceable under the laws of the Province of Alberta or the laws of Canada applicable therein or under any Applicable Laws or the terms and provisions of any authorizations, the remainder of this Agreement, or the application of the provisions of this Agreement to Persons or circumstances other than those to which it is held invalid or unenforceable, will not be affected thereby.

### **11.7 Waiver**

- (a) No waiver by any Party of any default by the other Party in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the other Party from performance of, any other provision, condition or requirement herein, nor shall such waiver be deemed to be a waiver of, or

in any manner a release of, the other Party from future performance of the same provision, condition or requirement.

- (b) Any delay in exercising or failure to exercise any right, remedy, power or privilege hereunder on the part of any Party shall not operate as a waiver thereof nor impair the exercise of any such right, remedy, power or privilege or any other right, remedy, power or privilege accruing to such Party thereafter.
- (c) The failure of a Party to perform its obligations hereunder shall not release the other Party from the performance of its obligations.

**11.8 Amendment**

This Agreement may not be varied or amended in its terms otherwise than by an instrument in writing dated subsequent to the date hereof, executed by duly authorized representatives of the Parties.

**11.9 Time**

Time shall be of the essence hereof.

**11.10 Governing Law**

This Agreement will be construed in accordance with and governed by the laws in force in the Province of Alberta and the laws of Canada applicable in the Province of Alberta.

**11.11 Enurement**

This Agreement shall enure to the benefit of and be binding upon the Parties and, to the extent permitted hereunder, their successors and assigns.

*The Rest of this Page Left Intentionally Blank*

**11.12 Counterpart and Facsimile Execution**

This Agreement may be executed in as many counterparts as are deemed necessary, and may be delivered by facsimile or in electronic pdf form, and when so executed and delivered, each such counterpart is as valid and binding on all Parties as every other such counterpart.

**IN WITNESS WHEREOF** the Parties have entered into this Agreement as of the date first set forth above.

**TOURMALINE OIL CORP.**

**TOPAZ ENERGY CORP.**

Per: \_\_\_\_\_  
Drew Tumbach  
Vice President, Land and Contracts

Per: \_\_\_\_\_  
Marty Staples  
President and Chief Executive Officer

SCHEDULE A  
ROYALTY LANDS

See attached • pages

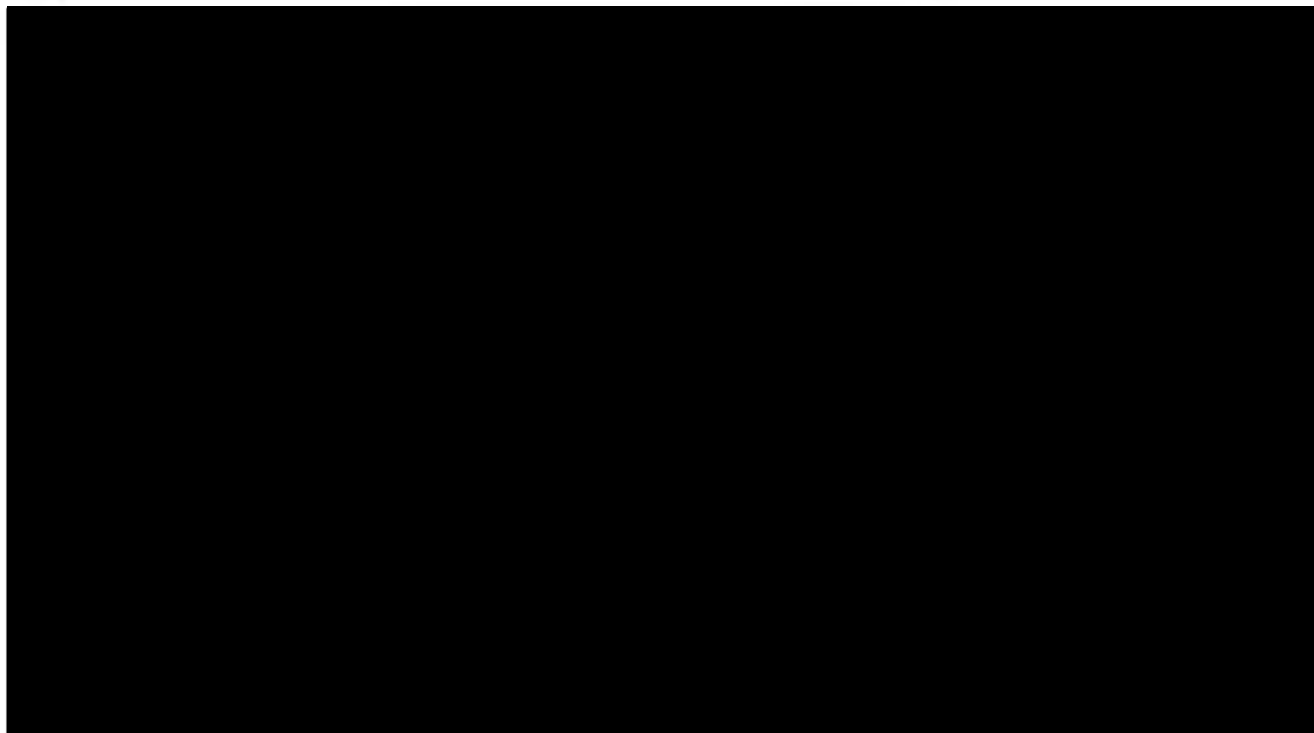
SCHEDULE B  
REQUIRED WELL INFORMATION

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**WELL NAME/LOCATION:**

**OPERATOR:** TOURMALINE OIL CORP.

**NOTIFICATION AND 1 COPY OF THE FOLLOWING IS REQUIRED.** [Informational requirements redacted]



This Notification shall be delivered in accordance with the instructions of Topaz, provided under separate cover.

SCHEDULE "D"  
FORM OF CERTIFICATE FOR VENDOR

TO: Topaz Energy Corp.

RE: Royalty Sale Agreement dated \_\_\_\_\_, 2021 ("**Sale Agreement**") between Tourmaline Oil Corp. ("**Vendor**") and Topaz Energy Corp. ("**Purchaser**")

The undersigned, [INSERT NAME], being the [INSERT TITLE] of Vendor, hereby certifies, for and on behalf of Vendor and not in his/her personal capacity, as follows:

1. The undersigned is personally familiar, in his/her capacity as an officer of Vendor, with the matters hereinafter certified.
2. This certificate is made and delivered pursuant to Section 4.1(b) of the Sale Agreement.
3. The definitions contained in the Sale Agreement are adopted in this Certificate and wherever used shall have the meanings ascribed to them in the Sale Agreement.
4. The representations and warranties of Vendor set forth in Section 5.1 are true and correct in all material respects (other than those representations and warranties which are subject to a qualification as to materiality, which representations and warranties shall be true and correct in all respects) as of the date specified therein, or if no date is specified, as of the date of this Agreement and as of the Closing Date.
5. All obligations and covenants of Vendor to be performed or complied with prior to or on the Closing Date, have been timely performed or complied with in all material respects as of the date of this Certificate.

DATED at Calgary, Alberta, as of this \_\_\_\_ day of \_\_\_\_\_, 2021.

**TOURMALINE OIL CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

SCHEDULE "E"  
FORM OF CERTIFICATE FOR PURCHASER

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TO: Tourmaline Oil Corp. ("**Vendor**")

RE: Royalty Sale Agreement dated \_\_\_\_\_, 2021 ("**Sale Agreement**") between Vendor and Topaz Energy Corp. ("**Purchaser**")

The undersigned, [INSERT NAME], being the [INSERT TITLE] of Purchaser, hereby certifies, for and on behalf of Purchaser and not in his/her personal capacity, as follows:

6. The undersigned is personally familiar, in his/her capacity as an officer of Purchaser, with the matters hereinafter certified.
7. This certificate is made and delivered pursuant to Section 4.2(c) of the Sale Agreement.
8. The definitions contained in the Sale Agreement are adopted in this Certificate and wherever used shall have the meanings ascribed to them in the Sale Agreement.
9. The representations and warranties of Purchaser set forth in Section 5.2 are true and correct in all material respects (other than those representations and warranties which are subject to a qualification as to materiality, which representations and warranties shall be true and correct in all respects) as of the date specified therein, or if no date is specified, as of the date of this Agreement and as of the Closing Date.
10. All obligations and covenants of Purchaser to be performed or complied with prior to or on the Closing Date, have been timely performed or complied with in all material respects as of the date of this Certificate.

DATED at Calgary, Alberta, as of this \_\_\_\_ day of \_\_\_\_\_, 2021.

**TOPAZ ENERGY CORP.**

Per: \_\_\_\_\_

Name:

Title: