

WHEREAS the Board issued Exploration Licence No. 1134 ("**EL 1134**") on January 15, 2013 to ExxonMobil Canada Ltd.;

AND WHEREAS the Board issued Exploration Licence No. 1135 ("**EL 1135**") on January 15, 2015 to the following Interest Holders: ExxonMobil Canada Ltd., Equinor Canada Ltd. and Suncor Energy Offshore Exploration Partnership;

AND WHEREAS the interest holders of EL 1134 and EL 1135 and the Board have agreed to consolidate certain sections of EL 1134 with the lands of EL 1135 into a single Exploration Licence No. 1165 (the "**Licence**"), in accordance with the Act (as defined below), and pursuant to the Surrender and Consolidation Agreement dated October 31, 2019 and the Consolidation Agreement dated October 31, 2019 (together, the "October 2019 Agreement");

AND WHEREAS both the Ministers under the Act have approved the consolidation and issuance of this Exploration Licence No. 1165, in accordance with and subject to the terms and conditions of the Agreement;

NOW THEREFORE this Licence is issued as a result of a consolidation of certain sections of EL 1134 with the lands of EL 1135 as set forth in Schedule "D" of the Agreement, upon the following terms and conditions:

1. INTERPRETATION

In this Licence, including all Schedules annexed hereto, unless the context requires otherwise:

- (1) "**Act**" means the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act*, and the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act*, and regulations thereto and any acts or regulations made in substitution therefor; and
- (2) Any words or phrases defined in the Act shall have the same meanings in this Licence unless the context otherwise requires.

2. RIGHTS

- (1) This Licence confers the rights attaching to an exploration licence pursuant to the Act with respect to those Lands described in Schedule I, with the current ownership interests being as set out in Schedule II.
- (2) Any resulting Significant Discovery Licence respecting the lands of this Licence will be substantially in the form of Significant Discovery Licence set out in Schedule IV hereto, subject to the terms and conditions for Significant Discovery

Licences existing at the time a Significant Discovery Licence is requested pursuant to the Act.

3. AGREEMENT

The Agreement constitutes an agreement between the Interest Owner and the Board as to the terms and conditions contained herein, which agreement will apply to any successor in interest.

4. WORK COMMITMENT

Pursuant to the October 2019 Agreement, the Interest Owner has to expend **\$572,633,931.84** CAD on exploration of the Lands (as set out in Schedule I hereto), research and development, and education and training within Period I (the "**Work Commitment**").

5. TERM

- (1) The effective date to commence the term of this Licence is **May 2, 2020** (the "**Effective Date**").
- (2) This Licence term shall be from the Effective Date in subsection 5(1) above up to and including January 15, 2024, (the "**Expiration Date**") consisting of two periods referred to as Period I and Period II. Period I shall commence as of the Effective Date. Period II shall immediately follow Period I and consists of the balance of the term of this Licence.
- (3) Period I shall be for a term from the Effective Date to January 15, 2023. Period I may be extended as described herein.
- (4) In order to validate this Licence for Period II, the drilling of the Harp L-42 and Hampden wells as well as two other validation wells must be commenced and drilled to a valid geological target and diligently pursued to termination in accordance with good oilfield practice within Period I ("**Validation Wells**"). Failure to fulfill the drilling requirements for these Validation Wells will result in the termination of this Licence at the end of Period I, unless otherwise extended pursuant to section 7 herein.
- (5) Each Validation Well must adequately test a valid geological target to be declared to the Board by the Interest Owner prior to the commencement of the well.

- (6) Upon the expiration of Period II, this Licence shall terminate and all Lands shall revert to the Crown except those which have been converted to a Significant Discovery Licence or a Production Licence.

6. SECURITY DEPOSIT

- (1) As a condition of the issuance of this Licence, and in accordance with the October 2019 Agreement, the Interest Owner has posted a security deposit with the Board in the amount of \$143,158,482.96 CAD equal to 25% of its Work Commitment (the "Security Deposit").
- (2) The Security Deposit will be refunded to the extent of approved allowable expenditures expended in Period I and calculated in accordance with this section and section 8 of this Licence.
- (3) With respect to any allowable expenditures approved in accordance with section 8 of this licence, the percentage of credit claimed against any outstanding Security Deposit shall be calculated in accordance with the number of wells drilled in Period I:
 - (a) The Security Deposit will be refunded to the extent of 30% of the allowable expenditures approved in accordance with section 8 of this Licence including those related to the first validating well;
 - (b) If a second well is drilled on this Licence and evaluated in accordance with the Board's 'Approval to Drill a Well' process, the Security Deposit will be refunded to the extent of 40% of the allowable expenditures approved in accordance with section 8 of this Licence, with an additional 10% credit granted in relation to previously approved allowable expenditures credited in accordance with paragraph 6(3)(a);
 - (c) If a third well is drilled on this Licence and evaluated in accordance with the Board's 'Approval to Drill a Well' process, the Security Deposit will be refunded to the extent of 50% of the allowable expenditures approved in accordance with section 8 of this Licence, with an additional 10% credit granted in relation to previously approved allowable expenditures credited in accordance with paragraph 6(3)(b);
 - (d) If a fourth well is drilled on this Licence and evaluated in accordance with the Board's 'Approval to Drill a Well' process, the Security Deposit will be refunded to the extent of 75% of the allowable expenditures approved in

accordance with section 8 of this Licence, with an additional 25% credit granted in relation to previously approved allowable expenditures credited in accordance with paragraph 6(3)(c);

- (e) If a fifth well is drilled on this Licence and evaluated in accordance with the Board's 'Approval to Drill a Well' process, the Security Deposit will be refunded to the extent of 100% of the allowable expenditures approved in accordance with section 8 of this Licence, with an additional 25% credit granted in relation to previously approved allowable expenditures credited in accordance with paragraph 6(3)(d);
 - (f) For the purpose of this subsection 6(3), to be considered an additional well, the well must target a separate geological feature for the purposes of obtaining the additional credit percentage.
- (4) No later than thirty days after the end of Period I, any unclaimed allowable expenditures described in section 8 and calculated in accordance with section 6 must be submitted to the Board.
 - (5) Allowable expenditures which are expended in Period II shall not be credited against the Security Deposit. No interest will be paid on the Security Deposit.
 - (6) The Interest Owner is not obligated to perform work under this Licence. However, if the Interest Owner does not meet its Work Commitment during Period I:
 - (a) the non-credited remaining balance of the Security Deposit will be forfeited to the Receiver General for Canada upon the termination of Period I, or
 - (b) the Interest Owner may extend the term of the Security Deposit beyond Period I in order to receive the benefit of any incremental percentage increase for the calculation of allowable expenditures related to the drilling of additional well(s) in Period II as described in 6(4) herein. Any non-credited remaining balance of the Security Deposit upon expiry of the Licence will otherwise be forfeited to the Receiver General for Canada. For greater certainty, allowable expenditures incurred in Period II are not available to reduce the Security Deposit.

Fundamental Decision 2020.05

7. EXTENSION OF PERIOD I

- (a) The Interest Owner may at its option extend Period I up to 364 days upon the filing of a \$15 million drilling deposit (“Drilling Deposit”).
- (b) A Drilling Deposit posted in accordance with this section will be refunded in full if the Licence is validated for Period II by the drilling of the Validation Wells on the Licence on or before January 14, 2024, in accordance with the Agreement. No interest will be paid on the Drilling Deposit.
- (c) If the Validation Wells are not all drilled during the extension of Period I, the Drilling Deposit will be forfeited to the Receiver General for Canada upon the termination of the Licence at the end of Period I. Allowable Expenditures cannot be applied against the Drilling Deposit.
- (d) No extension to Period I will be granted if there are unpaid Environmental Studies Research Fund (ESRF) levies.

8. ALLOWABLE EXPENDITURES

- (1) The Allowable Expenditures for any given year shall be the total calculated expenditures for that year (i.e. monies actually spent) based upon the following rates:
 - (i) Drilling costs, as may be more particularly described in guidance, shall be claimed “at cost” when carried out by a party at arm’s length from the operator. Drilling costs are subject to Board approval based on the following conditions:
 - (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
 - (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with 8(1)(i)(a) above; and,
 - (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.
 - (ii) Drilling costs, as may be more particularly described in guidance, in a non-arm’s length transaction shall be the lesser of cost or fair market value as established by an independent third party expert. Non-arm’s length Drilling costs are subject to Board approval based on the following conditions:
 - (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;

- (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with 8(1)(ii)(a) above; and,
- (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.

(iii) Overheads – Drilling Costs

The lesser of \$25,000,000 or 10% of the total Allowable Expenditures as described in paragraphs 8(1)(i) and/or 8(1)(ii) may be claimed as overhead on a per well basis. Any costs claimed under this paragraph 8(1)(iii) cannot double count costs claimed under paragraphs 8(1)(i) and/or 8(1)(ii).

(iv) Seismic, Well-Site or Electromagnetic Survey costs shall be claimed “at cost” when carried out by a party at arm’s length from the operator. Seismic, Well-Site or Electromagnetic Survey costs are subject to Board approval based on the following conditions:

- (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
- (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with 8(1)(iv)(a) above; and
- (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.

(v) Seismic, Well-Site or Electromagnetic Survey costs in a non-arm’s length transaction shall be the lesser of cost or fair market value as established by an independent third party expert consistent with:

- (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
- (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with subparagraph 8(1)(v)(a) above; and,
- (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.

(vi) For the purposes of subparagraphs 8(1)(i), 8(1)(ii), 8(1)(iv) and 8(1)(v), persons are not dealing at arm’s length if they are not dealing at arm’s length for the purposes of the *Income Tax Act*, section 251.

(vii) Seabed & Other Surveys/Studies

- (a) Environmental field studies when they are required to obtain an authorization for work or activity. At cost.
- (b) Any other survey/study at a rate agreed to by the Board prior to the program commencement.

(viii) Overheads – Non-Drilling

10% of the Allowable Expenditures as described in paragraphs 8(1)(iv), 8(1)(v), and 8(1)(vii).

(ix) Research & Development/Education & Training

- (a) An Interest Owner will be permitted to apply for a maximum of 5% of the Expenditure Bid as an Allowable Expenditure during Period I for these purposes;
- (b) Any Allowable Expenditure made in relation to research and development/education and training and applied for as a credit against the Security Deposit, must be approved by the Board;

Fundamental Decisions 2020.02 and 2020.03

- (2) The Interest Owner may submit an application for credit against the Security Deposit or rentals, as the case may be, in the form and manner required by the Board. The following conditions will apply:
 - (i) An application for credit against the Security Deposit must be received by the Board no later than thirty (30) days following the expiry of the relevant event referred to in subsection 5(4) above;
 - (ii) Applications for credit against rentals must be received by the Board no later than thirty (30) days following the anniversary date in Period II following the year in which the Allowable Expenditures were incurred;
 - (iii) Failure to submit such applications within the appropriate time referred to above, shall be deemed to mean that no Allowable Expenditures were incurred.
- (3) The above rates of Allowable Expenditures set out in Section 8(1) will have application throughout Period I of the Exploration Licence. However, the rates

of Allowable Expenditures will be reviewed, and may be amended, at the expiration of Period I.

9. RENTALS

- (1) Rentals will be applicable only in Period II at the following rates:

1 st year	\$5.00 per hectare
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- (2) If this Licence continues in force beyond Period II, rentals will be payable at the rates applicable during the last year of Period II.
- (3) Rentals shall be due on the anniversary date of this Licence and shall be paid annually in advance, no later than 30 days following the anniversary date of the Licence, and are to be submitted by bank draft or certified cheque payable to the Receiver General for Canada, except for rentals under subsection 9(2), which will be payable monthly, in advance, at the rate of one-twelfth (1/12) of the applicable annual rates.
- (4) For greater certainty, rentals shall be calculated on the basis of the total hectarage of Lands held as part of this Licence, as of the anniversary date.
- (5) Rentals will be refunded annually, to a maximum of one hundred percent (100%) of the rentals paid in that year, on the basis of a dollar refund for each dollar of Allowable Expenditures for that year, excepting Allowable Expenditures related to a well commenced and being pursued diligently but not terminated within Period I.
- (6) To the extent that Allowable Expenditures for a given year are greater than the amount of the applicable refund, the excess shall be carried forward to reduce the rentals otherwise payable in ensuing rental years.
- (7) Rentals will apply to lands subject to a Declaration of Significant Discovery during the term of the Licence at the rates and levels of refundability specified above.

10. ENVIRONMENTAL STUDIES RESEARCH FUND (ESRF)

The Interest Owner of this Licence is liable for the payment of ESRF levies in accordance with s. 101 of the Act.

11. EXPLORATION PLAN

The Interest Owner must file an exploration plan within six months of the Effective Date outlining the anticipated exploration activities for the Lands. The plan shall be updated annually and filed by the anniversary date of the initial plan.

12. JOINT OPERATING AGREEMENT

In any instance where the Interest Owner is comprised of more than one Interest Holder, the Interest Owner must acknowledge in writing within six months of the Effective Date that all Interest Holders have entered into an agreement in the nature of a joint operating agreement addressing voting procedures and a procedure to allow less than all participants to proceed with a program which is not approved pursuant to the voting procedures, with provisions for maintenance of participant ownership and sharing of results with non-participant Interest Holders where a program proceeds and is successful.

13. LIABILITY

- (1) An Interest Holder shall be liable under the provisions of this Licence, the Act, and the Regulations for all claims, demands, losses, costs, damages, actions, suits or other proceedings, in respect of any work or activity conducted, or caused to be conducted, by, through, or under, or with the consent of such Interest Holder. Any transfer, assignment, or other disposition of the interest, or of a share therein, shall not have the effect of discontinuing such liability in respect of such work or activity, related to the interest, or share therein, so disposed, that was conducted before that transfer, assignment, or other disposition was registered pursuant to the Act and Regulations. For greater certainty, liability, as aforesaid, does not attach to an Interest Holder for any work or activity conducted after such party ceases to be an Interest Holder in this Licence.
- (2) This Section shall survive this Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

14. INDEMNITY

- (1) It is a condition of this Licence that the Interest Holders shall, in respect of that portion of the Lands to which each such Interest Holder's share relates, at all times, jointly and severally, indemnify and save harmless the Board, as well as Her Majesty the Queen in right of Canada or in right of the Province of Newfoundland and Labrador, from and against all claims, demands, losses, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or

attributable to, anything done or omitted to be done by, through, or under, or with the consent of the Interest Owner, or an Interest Holder, notwithstanding any agreement or arrangement entered into by an Interest Owner or Interest Holder which does or may result in the transfer, assignment or other disposition of the interest or share therein, in the fulfilment of the terms and conditions made herein or in the exercise of the rights or obligations contained herein.

- (2) For greater certainty, Interest Holders in this Licence who do not hold shares with respect to that portion of the Lands in relation to which a claim, demand, loss, cost, damage, action, suit or other proceeding arises are not liable to indemnify the Board, Her Majesty the Queen in right of Canada or in right of the Province of Newfoundland and Labrador under subsection 14(1) above.
- (3) For the purposes of subsections 14(1) and 14(2), "Her Majesty the Queen in right of Canada or in right of the Province of Newfoundland and Labrador" shall not include a Crown corporation.
- (4) This section shall survive this Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

15. TIME LIMITATIONS

- (1) In the event any Interest Holder wishes to submit an application for a Declaration of Significant Discovery pursuant to the *Act* ("Application"), unless the Board otherwise agrees in writing, such Application shall be submitted within six (6) months following rig release of the drilling unit respecting the prospective discovery well, or six (6) months prior to the scheduled expiry date of this Licence, whichever occurs later.
- (2) Where any judicial review is explicitly stated to be available under any provision of the *Act* respecting any order, decision, or action by the Board, any application for such judicial review shall be made no later than thirty (30) days following the date upon which such order, decision or action is effective pursuant to the *Act*.

16. SUCCESSORS AND ASSIGNS

Subject to Sections 13 and 14, the Licence enures to the benefit of and is binding on the Board and the Interest Owner, and their respective heirs, administrators, successors and assigns.

17. NOTICE

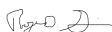
Any notice, communication or statement required under the *Act* shall be served on the Board or the Interest Owner's representative, as the case may be, by personal delivery, facsimile or e-mail at that address specified in Schedule III hereof, or such other addresses as may be designated from time to time by the Board or the Interest Owner's representative, as the case may be.

18. REPRESENTATIVE

The Interest Owner shall appoint a representative who shall be more particularly described in Schedule III. The representative may be changed from time to time during the term of the Licence.

ISSUED at St. John's, Newfoundland and Labrador this 2nd day of May, 2020 and amended this 7th day of January, 2021.

DocuSigned by:



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CHAIR
THE CANADA-NEWFOUNDLAND AND LABRADOR
OFFSHORE PETROLEUM BOARD

SCHEDULE I - LANDS**EL 1165A**

<u>Latitude*</u>	<u>Longitude*</u>	<u>Sections</u>	<u>Hectares</u>
47°20'N	46°30'W	81-100	7 008
47°20'N	46°45'W	1-100	35 040
47°20'N	47°00'W	1-60	21 024
47°10'N	46°30'W	87-90, 97-100	2 808
47°10'N	46°45'W	1-100	35 150
47°10'N	47°00'W	1-60	21 090
47°00'N	46°45'W	6-10, 13-20, 23-30, 33-40, 43-50, 53-60, 63-70, 73-80, 83-90	24 321
		Hectares	146 441

EL 1165B

<u>Latitude*</u>	<u>Longitude*</u>	<u>Sections</u>	<u>Hectares</u>
47°50'N	46°45'W	21, 31, 41, 51, 61, 71, 81, 91	2 784
47°50'N	47°00'W	1-7, 11-17, 21-27, 31-37, 41-47, 51- 57, 61-67, 71-77, 81-87, 91-97	24 300
47°50'N	47°15'W	1-7, 11-17, 21-27, 31-37, 41-47, 51- 57, 61-67, 71-77, 81-87, 91-97	24 300
47°50'N	47°30'W	1-7, 11-17	4 860
47°40'N	46°45'W	21-100	27 856
47°40'N	47°00'W	1-100	34 820
47°40'N	47°15'W	1-100	34 820
47°40'N	47°30'W	1-23, 31-33, 41-43, 51-53, 61-63	12 194
47°30'N	46°45'W	21-100	27 944
47°30'N	47°00'W	1-60, 64-70, 74-80, 84-90, 94-100	30 730
47°30'N	47°15'W	4-10, 14-20, 24-30, 34-40, 44-50, 54-60, 64-70, 74-80, 84-90, 94-100	24 430
47°30'N	47°30'W	4-10, 14-20, 24-30, 34-40, 44-50, 54-60, 64-70	17 101
		Hectares	266 139

*North American Datum 1927

SCHEDULE II – OWNERSHIP

<u>INTEREST HOLDER</u>	<u>% SHARE</u>
EL 1165A ExxonMobil Canada Ltd.	100%
EL 1165B ExxonMobil Canada Ltd.	40%
Equinor Canada Ltd.	30%
Suncor Energy Offshore Exploration Partnership	30%

SCHEDULE III - REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE

Representative: ExxonMobil Canada Ltd.

Address: Imperial Oil Resources
(On behalf of ExxonMobil Canada Ltd.)
505 Quarry Park Boulevard SE
Calgary, Alberta, Canada, T2C 5N1
Attention: Mineral Land Manager

Canada-Newfoundland and Labrador Offshore Petroleum Board
Suite 101, TD Place
140 Water Street
St. John's, NL
A1C 6H6

Attention: The Chair

**SCHEDULE IV – FORM OF SIGNIFICANT DISCOVERY LICENCE WHERE A SIGNIFICANT
DISCOVERY IS DECLARED WITHIN THE LANDS**

SIGNIFICANT DISCOVERY LICENCE No.

THIS LICENCE is effective as of the _____ day of _____, 20____.

ISSUED BY

The Canada-Newfoundland and Labrador Offshore
Petroleum Board.

TO THE INTEREST OWNER

(Individually, the “**Interest Holders**”)

WHEREAS the Board is empowered pursuant to the Act to issue a Significant Discovery Licence (hereinafter called the “**Licence**”) relating to the Lands described in Schedule I of this Licence;

AND WHEREAS the Board issued Exploration Licence 1165 pursuant to the Surrender and Consolidation Agreement between the Board, ExxonMobil Canada Ltd., Equinor Canada Ltd., and Suncor Energy Offshore Exploration Partnership dated October 31, 2019, and the Consolidation Agreement between the Board, ExxonMobil Canada Ltd., Equinor Canada Ltd., and Suncor Energy Offshore Exploration Partnership dated October 31, 2019 (together, the “October 2019 **Agreement**”);

AND WHEREAS ExxonMobil Canada Ltd., Equinor Canada Ltd., and Suncor Energy Offshore Exploration Partnership each agreed to the terms of the October 2019 Agreement, which Agreement will apply to any successor in interest;

NOW THEREFORE this Licence is issued upon the following terms and conditions:

1. INTERPRETATION

In this Licence, including all Schedules annexed hereto, unless the context requires otherwise;

- (1) “**Act**” means the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act*, and the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act*, and regulations thereto and any *acts* or regulations made in substitution therefor; and
- (2) Any words or phrases defined in the Act shall have the same meanings in this Licence unless the context otherwise requires.

2. RIGHTS

This Licence confers the rights attaching to a Significant Discovery Licence pursuant to the Act with respect to those Lands described in Schedule I.

3. ALLOWABLE EXPENDITURES

The Allowable Expenditures for any given year shall be the total calculated expenditures for that year (i.e. monies actually spent) based upon the following rates:

- (i) Drilling costs, as may be more particularly described in guidance, shall be claimed “at cost” when carried out by a party at arm’s length from the operator. Drilling costs are subject to Board approval based on the following conditions:

- (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
 - (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with subparagraph 3(i)(a) above; and,
 - (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.

- (ii) Drilling costs, as may be more particularly described in guidance, in a non-arm's length transaction shall be the lesser of cost or fair market value as established by an independent third party expert. Non-arm's length Drilling costs are subject to Board approval based on the following conditions:
 - (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
 - (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with subparagraph 3(ii)(a) above; and,
 - (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.

- (iii) Overheads – Drilling Costs
The lesser of \$25,000,000 or 10% of the total Allowable Expenditures as described in paragraphs 3(i) and/or 3(ii) may be claimed as overhead on a per well basis. Any costs claimed under this paragraph 3(iii) cannot double count costs claimed under paragraphs 3(i) and/or 3(ii).

- (iv) Seismic, Well-Site or Electromagnetic Survey costs shall be claimed "at cost" when carried out by a party at arm's length from the operator. Seismic, Well-Site or Electromagnetic Survey costs are subject to Board approval based on the following conditions:
 - (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
 - (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with subparagraph 3(iv)(a) above, and
 - (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.

- (v) Seismic, Well-Site or Electromagnetic Survey costs in a non-arm's length transaction shall be the lesser of cost or fair market value as established by an independent third party expert consistent with:
 - (a) each claim must be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Board;
 - (b) the Board shall approve the Terms of Reference/Scope of Work in relation to any audit to be performed in accordance with subparagraph 3(v)(a) above; and,
 - (c) the Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.
- (vi) For the purposes of paragraphs 3(i), 3(ii), 3(iv) and 3(v), persons are not dealing at arm's length if they are not dealing at arm's length for the purposes of the *Income Tax Act*, section 251.
- (vii) Seabed & Other Surveys/Studies
 - (a) Environmental field studies when they are required to obtain an authorization for work or activity. At cost.
 - (b) Any other survey/study at a rate agreed to by the Board prior to the program commencement.
- (viii) Overheads – Non-Drilling
10% of the allowable expenditures in paragraphs 3(iv), 3(v) and 3(vii).
Fundamental Decisions 2020.02 and 2020.03

4. RENTALS – EXPLORATION LICENCE TERM

A Significant Discovery Licence issued during Period I or II of Exploration Licence 1165 shall be subject to the rental rates applicable to that Exploration Licence until the earlier of the natural expiry of that Exploration Licence or the surrender of that Exploration Licence.

5. RENTALS – POST EXPLORATION LICENCE TERM

The rental rates are to be determined by the Board at the time of Significant Discovery Licence issuance. The 2020 rentals rates provided below in 5(a) and 5(b) are an example of rentals that could apply to a Significant Discovery Licence issued in 2020.

Each Significant Discovery Licence shall be subject to the following rental regime upon the determination of the date referenced in Section 4:

- (a) Rentals on Significant Discovery Licences, following the expiry date of the Exploration Licence, shall be at the following base rates:

Year 1 to 5	\$0.00 per hectare
Year 6 to 10	\$40.00 per hectare
Year 11 to 15	\$200.00 per hectare
Year 16 to 20	\$800.00 per hectare

The rental rates applicable to any Significant Discovery Licence resulting from EL 1165 will be payable in constant (inflation adjusted) 2019 dollars.

Commencing on December 31, 2020 the rental rates in the above-noted table will be adjusted by applying the annual change in the Consumer Price Index for Canada. The rental rates will be adjusted in the same manner on each December 31 thereafter. Pro-rated rental rates for year one of a Significant Discovery Licence shall be paid prior to the issuance of the Significant Discovery Licence with the applicable adjusted annual rental rate payable on or before January 15 of each year thereafter.

- (b) Rental rates of \$800.00 will increase by \$100.00 for each year beyond year 20, and will be payable in constant (inflation adjusted) 2020 dollars until the Significant Discovery Licence is relinquished or converted to a Production Licence. For greater certainty, the Interest Owner may relinquish lands to reduce future rental payments.
- (c) There shall be no carry forward of excess allowable expenditures from Exploration Licences.

Rentals are to be submitted by bank draft or certified cheque payable to the Receiver General for Canada.

For greater certainty, rentals shall be calculated on the basis of the total hectareage of lands held as part of the Significant Discovery Licence, as of the anniversary date.

- (d) Rentals will be refunded annually, to a maximum of one hundred percent (100%) of the rentals paid in that year, on the basis of a dollar refund for each dollar of allowable expenditures for that year.
- (e) To the extent that allowable expenditures for a given year are greater than the amount of the applicable refund, the excess shall be carried forward to reduce the rentals otherwise payable in ensuing rental years.

6. ANNUAL REPORT

The Interest Owner shall provide to the Board in writing an annual report describing activities undertaken to advance development of the Licence. The annual report shall be filed each year on the anniversary of the issuance of this Licence.

7. NON-COMPLIANCE

Failure to comply with any term or condition of this Licence may result in cancellation of the Licence.

8. ENVIRONMENTAL STUDIES RESEARCH FUND (ESRF)

The Interest Owner of this Licence is liable for the payment of ESRF levies in accordance with s. 101 of the Act.

9. INDEMNITY

(1) It is a condition of this Licence that the interest holders shall, in respect of that portion of the Lands to which each such interest holder's share relates, at all times, jointly and severally, indemnify and save harmless the Board, as well as Her Majesty the Queen in Right of Canada or in Right of the Province of Newfoundland and Labrador, from and against all claims, demands, losses, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to, anything done or omitted to be done by, through, or under, or with the consent of, the Interest Owner, or an Interest Holder, notwithstanding any agreement or arrangement entered into by an Interest Owner or Interest Holder which does or may result in the transfer, assignment or other disposition of the interest or share therein in the fulfilment of the terms and conditions made herein or in the exercise of the rights or obligations contained herein.

(2) For the purposes of subsection 8(1), "Her Majesty the Queen in Right of Canada or in Right of the Province of Newfoundland and Labrador" shall not include a Crown corporation.

(3) This section shall survive this Licence and will be incorporated into any production licence that arises therefrom.

10. LIABILITY

(1) An Interest Holder shall be liable under the provisions of this Licence and the Act, for all claims, demands, losses, costs, damages, actions, suits or other proceedings, in respect of any work or activity conducted, or caused to be

conducted, by, through, or under, or with the consent of such Interest Holder. Any transfer, assignment, or other disposition of the interest, or of a share therein, shall not have the effect of discontinuing such liability in respect of such work or activity, related to the interest, or share therein, so disposed, that was conducted before that transfer, assignment, or other disposition was registered pursuant to the Act. For greater certainty, liability, as aforesaid, does not relate to any work or activity conducted after such party ceases to be an Interest Holder in this Licence.

- (2) This section shall survive this Licence and will be incorporated into any production licence that arises therefrom.

11. SUCCESSORS AND ASSIGNS

Subject to Sections 9 and 10, the Licence enures to the benefit of and is binding on the Board and the Interest Owner and their respective heirs, administrators, successors and assigns.

12. NOTICE

Any notice, communication or statement required under the Act or this Licence shall be served on the Board or the Interest Owner, as the case may be, by personal delivery, facsimile or e-mail at that address specified in Schedule III hereof, or such other addresses as may be designated from time to time by the Board or the Interest Owner, as the case may be.

13. REPRESENTATIVE

Unless otherwise designated in the prescribed manner, for the purpose of this Licence the representative or representatives, as the case may be, of the Interest Owner shall be as specified in Schedule III.

ISSUED at St. John's, Newfoundland and Labrador this ___ day of _____, 20__.

**CHAIR
THE CANADA-NEWFOUNDLAND AND LABRADOR
OFFSHORE PETROLEUM BOARD**

SCHEDULE II - OWNERSHIP

INTEREST HOLDER

% SHARE

SCHEDULE III - REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE

Representative:

Address:

Canada-Newfoundland and Labrador Offshore Petroleum Board
Address
St. John's, NL
Attention: The Chair