

**RIFE RESOURCES MANAGEMENT LTD.**

**AND**

**FREEHOLD RESOURCES LTD.**

**AND**

**COMPUTERSHARE TRUST COMPANY OF CANADA,  
in its capacity as Trustee of  
Freehold Royalty Trust**

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**AMENDED AND RESTATED  
MANAGEMENT AGREEMENT**

**Dated May 10, 2006**

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**AMENDED AND RESTATED  
MANAGEMENT AGREEMENT**

THIS AMENDED AND RESTATED AGREEMENT made the 10<sup>th</sup> day of May, 2006.

AMONG:

**RIFE RESOURCES MANAGEMENT LTD.**; a body corporate continued under the *Canada Business Corporations Act* (hereinafter called "**Manager**")

- and -

**FREEHOLD RESOURCES LTD.**, a body corporate incorporated under the *Business Corporations Act* (Alberta) (hereinafter called "**Purchaser**")

- and -

**COMPUTERSHARE TRUST COMPANY OF CANADA**, a trust company incorporated under the laws of Canada, in its capacity as trustee of Freehold Royalty Trust, a trust formed pursuant to the laws of Alberta pursuant to the Trust Indenture, as amended (hereinafter called "**Trustee**")

**WHEREAS** the Manager, Purchaser and Montreal Trust Company of Canada, as predecessor to the Trustee, entered into a Management Agreement dated November 25, 1996 (the "**Original Management Agreement**") whereby the Manager agreed to manage and administer: (i) the interests in oil and gas properties purchased by Purchaser pursuant to the Initial Purchase Agreements, (ii) the Resources Royalty, (iii) any Additional Properties acquired by Purchaser pursuant to Future Acquisitions, (iv) the HB Lands Royalties acquired by the Trust pursuant to the HB Lands Royalties Purchase and Sale Agreement; and (v) any Additional Royalties acquired by the Trust pursuant to Future Royalty Acquisitions, all subject to and in accordance with the provisions of the Original Management Agreement;

**AND WHEREAS** Purchaser delegated certain aspects of the management and administration of the affairs of Purchaser to Manager subject to and in accordance with the provisions of the Original Management Agreement;

**AND WHEREAS** Trustee delegated certain aspects of the management and administration of the affairs of the Trust to Manager subject to and in accordance with the provisions of the Original Management Agreement;

**AND WHEREAS** Purchaser and Trustee agreed to each pay their respective portion of the Management Fee and General and Administrative Costs incurred by Manager for the services provided by Manager to the Purchaser or the Trustee, as the case may be, all as more particularly described in the Original Management Agreement;

**NOW THEREFORE, THIS AGREEMENT WITNESSETH** that in consideration of the covenants herein contained, the Parties hereby agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

In this Agreement, including this Article and the recitals, the following words and expressions shall have the meanings set forth below:

**"Additional Properties"** means the working, royalty or other interests in any Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests that may be acquired by Purchaser at any time subsequent to the Closing;

**"Additional Royalties"** means royalty interests (other than the HB Lands Royalties and the Resources Royalty) in Petroleum Substances which may be acquired by the Trust from time to time;

**"Agreement"**, "herein", "hereto" "hereof" and similar expressions refer to this Agreement and any agreement amending this Agreement;

**"Applicable Operating Procedure"** means, in relation to a Property, the CAPL Operating Procedure, unit operating agreement, agreement for the construction, ownership and operation of a facility or similar operating procedure or agreement which governs operations by the Purchaser and Third Parties which relate to such Property;

**"Asset Exchange"** means (a) with respect to Purchaser, a transaction by which Purchaser transfers and assigns its interests in Petroleum and Natural Gas Rights and related Tangibles and Miscellaneous Interests in exchange for other interests in Petroleum and Natural Gas Rights and related Tangibles and Miscellaneous Interests and which may or may not also include the payment or receipt of cash by Purchaser; and (b) with respect to the Trust, a transaction by which the Trust transfers and assigns its interests in royalties, whether the HE Lands Royalties or Additional Royalties, in exchange for other Additional Royalties and which may or may not also include the payment or receipt of cash by the Trust;

**"Asset Value"** means, for any property at any time, the present worth of all of the estimated future pre-tax net cash flow from the Proved Reserves and 50% of the estimated future pre-tax net cash flow from the Probable Reserves shown in the most recent engineering report relating to such property, discounted at 15% and using escalating price and cost assumptions;

**"Canpar"** means Canpar Holdings Ltd.;

**"Contract Services Agreement"** means the agreement executed concurrently herewith pursuant to which Rife Resources Ltd. will provide the Manager with all necessary personnel, equipment and facilities required to provide management and operational services to the Trust and Purchaser on a cost recovery basis;

**"Development Operation"** means any activity related to the Properties, the purpose of which is to exploit or delineate a known accumulation of Petroleum Substances, including, without limitation:

- (a) drilling, completing, equipping, deepening, plugging-back, side-tracking, acidizing, fracturing, treating, testing or abandoning a development well and other similar operations;

- (b) waterflood, miscible flood and other secondary and tertiary recovery operations;
- (c) constructing Facilities;
- (d) participating in a seismic or other geophysical or geological study for purposes of exploiting or delineating a known accumulation of Petroleum Substances; or
- (e) acquiring Tangibles or Miscellaneous Properties or interests therein, other than as a part of an Acquisition;

"**Disposition**" means a surrender, sale, exchange, assignment, farm-out, mortgage, pledge, charge, grant of a security interest or other disposition and "Dispose" means to effect a Disposition;

"**Exploration Operation**" means drilling an exploratory well, or conducting a geological or geophysical study (including a seismic program) for purposes of locating accumulations of Petroleum Substances which have not previously been located;

"**Future Acquisition**" means an Acquisition which, If Purchaser participates therein, will satisfy the requirements of Section 2.9 of the Resources Royalty Agreement;

"**Future Royalty Acquisition**" means an acquisition of Additional Royalties of the nature of HB Lands Royalties, from Canpar or others which, if the Trust participates therein, would satisfy the requirements of Sections 5.1 and 5.2 herein;

"**General and Administrative Costs**" means the amount in aggregate, but without duplication, representing all expenditures and costs incurred by the Manager in respect of the management and administration of Resources, the Trust, the HB Lands Royalties, Additional Royalties and the Resources Royalty pursuant hereto including, without limitation (a) all amounts paid to Rife Resources Ltd. pursuant to the Contract Services Agreement; (b) all reasonable costs and expenses paid by the Manager on behalf of Resources, the Trust or their affiliates; and (c) the costs and expenses of auditing, accounting, bookkeeping, equipment, rent and other leasehold expenses, legal, land administration, engineering, travel, telephone, data processing, reporting, executive and management time, and salaries;

"**HB Lands**" means the lands from which the HB Lands Royalties are derived;

"**HB Lands Royalties**" means the royalties acquired by the Trust from Canpar pursuant to the HB Lands Royalties Purchase and Sale Agreement;

"**HB Lands Royalties Purchase and Sale Agreement**" means the purchase and sale agreement dated the date hereof between Canpar and the Trustee for and on behalf of the Trust providing for the purchase by the Trust from Canpar of the HB Lands Royalties;

"**Incentives**" means governmental credits, incentives and grants, including ARTC;

"**Independent Directors**" means the members of the board of directors of Purchaser from time to time who are elected by Unitholders;

"**Initial Public Offering**" means the initial public offering of Trust Units pursuant to the Prospectus;

"**Initial Term**" means that period of five (5) years commencing on the date hereof;

"**Management Fee**" means the fee payable to Manager pursuant to Section 7.1;

**"Management Period"** means the period during which Manager shall serve as manager under this Agreement, which is the period commencing on the date hereof and continuing until terminated in accordance with Article 8;

**"Manager"** means Rife Resources Management Ltd. or its successor under this Agreement;

**"Operator"** means, in relation to a Property, the Person who is operator thereof pursuant to the Applicable Operating Procedure;

**"Party"** means a party to this Agreement;

**"Prime Rate"** means the rate of interest, expressed as a rate per annum, designated by the main branch in Calgary of Canadian Imperial Bank of Commerce from time to time as the reference rate used by it to determine rates of interest charged by it on Canadian dollar loans made in Canada and which is announced by such bank as its prime rate from time to time, provided that whenever such bank publicly announces a change in such reference rate, the "Prime Rate" shall be such new rate (expressed as a rate per annum) from and after the time of such announcement and similar changes to the "Prime Rate" shall be made on each subsequent occasion that such bank announces a change in such reference rate;

**"Prospectus"** means the final prospectus for the initial public offering of Trust Units dated November 14, 1996;

**"Purchaser"** means Freehold Resources Ltd.;

**"Quarterly Management Fee Payment"** means:

- (a) in respect of the first Quarter, (which is the period from 8:00 a.m. Calgary time on the Closing Date to 8:00 a.m. Calgary time on December 31, 1996) 8,000 Trust Units; and
- (b) in respect of each Quarter after the first Quarter, that number of Trust Units which is equal to the number obtained by multiplying 20,000 Trust Units by the fraction the numerator of which is the number of Trust Units issued and outstanding at the end of such Quarter (excluding all Trust Units issued to the Manager as part of the Management Fee and all Trust Units issued pursuant to the "Trust Unit Option Plan" as defined in the Prospectus) and the denominator of which is 26,400,000;

**"Replacement Properties"** means properties, whether Additional Royalties or Additional Properties, that may be acquired by the Trust or Purchaser, respectively, at any time subsequent to the date hereof by means of an Asset Exchange by the Trust or the Purchaser or using the proceeds from the sale of all or any portion of the Initial Properties, any Additional Properties, the HB Lands Royalties or any Additional Royalties;

**"Rife"** means Rife Resources Ltd.;

**"Resources Royalty"** means the royalty granted by Purchaser to the Trust pursuant to the Resources Royalty Agreement;

**"Resources Royalty Agreement"** means the agreement regarding the creation and sale of the Resources Royalty dated the date hereof between Purchaser and Trustee for and on behalf of the Trust;

**"Third Party"** means any Person other than the Trust, Manager or Purchaser;

**"Trust Indenture"** means the trust indenture dated as of September 30, 1996, as amended, between RBC Dominion Securities Inc., as Senior, the Trustee and the Purchaser;

**"Trust Units"** means fractional undivided ownership interests in the Trust; and

**"Trustee"** means Computershare Trust Company of Canada in its capacity as trustee of the Trust and includes any successor trustee of the Trust.

## **1.2 Definitions Incorporated by Reference**

In this Agreement, the following terms have the meaning ascribed thereto in the Resources Royalty Agreement:

- (a) Acquisition
- (b) ARTC
- (c) Business Day
- (d) Capital Expenditures
- (e) Closing
- (f) Concurrent Disposition
- (g) Credit Facilities
- (h) Crown
- (i) Crown Royalties
- (j) Debt Service Costs
- (k) Deductible Production Costs
- (l) Deferred Royalty Purchase Payment (defined in Section 2.2)
- (m) Facilities
- (n) GAAP
- (o) Initial Properties
- (p) Initial Purchase Agreements
- (q) Lender
- (r) Miscellaneous Interests
- (s) Month
- (t) Non-Deductible Crown Royalties

- (u) Other Revenues
- (v) Permitted Investments
- (w) Person
- (x) Petroleum and Natural Gas Rights
- (y) Petroleum Substances
- (z) Probable Reserves
- (aa) Production Costs
- (bb) Production Revenues
- (cc) Properties
- (dd) Proved Reserves
- (ee) Quarter
- (ff) Record Date
- (gg) Reclamation Fund
- (hh) Reserve
- (ii) Royalty Revenues
- (jj) Royalty Share of Petroleum Substances
- (kk) Special Resolution
- (ll) Surface Rights
- (mm) Swap Arrangements
- (nn) Tangibles
- (oo) the Trust
- (pp) Title and Operating Documents
- (qq) Trust Indenture
- (rr) Trust Unit
- (ss) Unitholders

### **1.3 Number and Gender**

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

### **1.4 References**

The table of contents, recitals and headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. A reference herein to an Article, Section or subsection without further reference shall be a reference to an Article, Section or subsection of this Agreement.

### **1.5 Choice of Law**

This Agreement will be governed by the laws of the Province of Alberta and the laws of Canada applicable therein and shall be construed, interpreted and performed in accordance therewith.

### **1.6 Attornment**

Any legal action or proceedings with respect to this Agreement shall be brought in the courts of the Province of Alberta and the courts of appeal therefrom. Each Party hereby attorns to and accepts for itself and in respect of its Properties, irrevocably and unconditionally, the jurisdiction of such courts.

### **1.7 Monetary Sums**

All references herein to dollar amounts or sums of money are to lawful funds of Canada.

### **1.8 Meaning of "Accrued" and "Incurred"**

The provisions of Section 1.7 of the Resources Royalty Agreement will be applicable mutatis mutandis, to this Agreement to the same extent as if set forth herein in full.

### **1.9 1990 CAPL Terms**

Terms which are defined in clause 101 of a 1990 Canadian Association of Petroleum Landmen Operating Procedure to which a 1988 Petroleum Accountants Society of Canada Accounting Procedure is attached and which are not otherwise defined herein have the same meanings herein as are given to them therein.

## **ARTICLE 2 MANAGEMENT OF THE PURCHASER**

### **2.1 General Delegation of Authority**

Subject to the supervision of, and restrictions imposed from time to time by, the board of directors of Purchaser and to the other provisions of this Agreement, Purchaser hereby delegates to Manager, and Manager hereby accepts the delegation of, authority to manage the general and administrative affairs of Purchaser, all in accordance with the provisions hereof.

## 2.2 Specific Delegation of Authority

In furtherance of its authority under Section 2.1 to manage the general and administrative affairs of Purchaser, but not in limitation thereof, Manager shall:

- (a) keep and maintain at its office in Calgary, Alberta at all times books, records and accounts in respect of the business transactions of Purchaser in accordance with GAAP which, as nearly as practicable, shall be in accordance with those required to be kept by a distributing corporation as defined in the *Business Corporations Act* (Alberta) (excepting that nothing herein shall be construed as requiring the books, records or accounts of Manager to be audited) and those required of a corporation under the income *Tax Act* (Canada);
- (b) make available or cause to be made available, in performing such obligations, office space, equipment and personnel including all accounting, clerical, secretarial, corporate and administrative personnel, as may be reasonably necessary to perform its obligations hereunder;
- (c) provide or arrange for such audit, accounting, engineering, geological, geophysical, financial, land, legal, insurance and other professional services as are reasonably required by or, in the reasonable opinion of Manager, desirable for Purchaser, from time to time;
- (d) arrange for the payment of Production Costs and all other properly payable costs and expenses incurred by or on behalf of Purchaser in connection with the Properties or the general and administrative matters of Purchaser;
- (e) provide or arrange to provide such legal, geological, engineering, geophysical, financial and other advice and analysis as the officers or directors of Purchaser may require or desire to permit any of them to make informed decisions in connection with the discharge by them of their responsibilities as officers or directors, to the extent such advice and analysis can be reasonably provided or arranged by Manager;
- (f) provide or cause to be provided to Purchaser any services reasonably necessary for Purchaser to be able to consider participation in a Future Acquisition, Development Operation or Disposition proposed by Manager;
- (g) recommend and negotiate banking arrangements, including the terms and provisions of Credit Facilities and Swap Arrangements and opening and maintaining bank accounts in the name of Purchaser;
- (h) cause all things to be done which Purchaser is required to do under the terms and provisions of the Credit Facilities and the Swap Arrangements entered into by Purchaser, from time to time;
- (i) administer the Resources Royalty, including calculating all payments required to be made on account thereof pursuant to the Resources Royalty Agreement, causing such payments to be made from funds of Purchaser in the possession or control of Manager including the payment of the Purchaser's share of any freehold mineral taxes or taxes of a similar nature, and preparing and distributing the statements and other information required to be provided by Purchaser to Trustee pursuant to the Resources Royalty Agreement, all in accordance with and within the times required by the provisions of the Resources Royalty Agreement;
- (j) from time to time, determine whether Production Costs or any other properly payable cost should be made with borrowed funds, funds in the Reserve or other funds of Purchaser;

- (k) make recommendations to the board of directors of the Purchaser as to when Production Revenues and Other Revenues are to be paid into the Reserve and when and how funds of Purchaser are to be invested in Permitted Investments;
- (l) arrange for the preparation and filing of income tax returns and other tax filings required to be made by Purchaser;
- (m) use all commercially reasonable efforts to obtain the payment of Production Revenues and Other Revenues (excluding Production Revenues from the Royalty Share of Production which Trustee takes in kind), but shall not have any liability to Purchaser or Trustee to the extent that it fails to collect them, provided it makes commercially reasonable efforts to do so; and
- (n) provide such additional administrative services relating to Purchaser as it may reasonably request, from time to time.

### **2.3 Restrictions on Delegation of Authority**

Notwithstanding any other provisions of this Agreement, Purchaser does not hereby delegate to Manager any authority to manage the following affairs of Purchaser:

- (a) the offering and issuance of additional Trust Units;
- (b) the designation of Deferred Royalty Purchase Payments;
- (c) the approval of participation by Purchaser in Acquisitions, Dispositions or Development Operations other than asset forth in Article 5;
- (d) the approval of Capital Expenditures in excess of those permitted by Section 6.7 of the Resources Royalty Agreement;
- (e) the approval of borrowing limits and policies;
- (f) the payment of Distributable Income (as defined in the Trust Indenture) to the Unitholders;
- (g) the amendment or waiver of the performance or breach of any term or provision of this Agreement or the Resources Royalty Agreement on behalf of Purchaser;
- (h) the renewal or termination of this Agreement or termination of the Management Period on behalf of Purchaser; and
- (i) any matter which requires the approval of the shareholders or directors of Purchaser under the *Business Corporations Act* (Alberta).

## **ARTICLE 3 MANAGEMENT OF THE TRUST**

### **3.1 General Delegation of Authority**

Subject to the supervision of the board of directors of Purchaser and to the other provisions of this Agreement, Trustee and Purchaser (as to the matters which the Trust Indenture states that Purchaser will be responsible for) hereby delegate to Manager, and Manager hereby accepts the delegation of, authority to perform their respective duties under the Trust Indenture relating to the

management and administration of the general and administrative affairs of the Trust, all in accordance with the provisions hereof.

### **3.2 Specific Delegation of Authority**

In furtherance of its obligations under Section 3.1 to manage the general and administrative affairs of the Trust, but not in limitation thereof, Manager shall:

- (a) perform all duties and provide or arrange to provide all general and administrative services as set forth in Section 2.2 herein for the Purchaser, mutatis mutandis, for the Trust, as applicable, as if the Trust had been specified in Section 2.2 in place of Purchaser;
- (b)
  - (i) prepare all returns, filings and documents and make all determinations necessary to the discharge of Trustee's obligations under Sections 17.5 (Income Tax: Obligations of Trustee), 17.6 (Income Tax: Designations) and (Income Tax: Deductions, Allowances and Credits) of the Trust Indenture;
  - (ii) submit all income tax returns and filings to Trustee in sufficient time prior to the dates upon which they must be filed so that Trustee has a reasonable opportunity to review them, execute them and return them to Manager;
  - (iii) arrange for their filing within the time required by applicable tax law; and
  - (iv) monitor the tax status of the Trust and provide information to Trustee regarding the taxable portions of distributions;
- (c) sign a Certificate representing a Trust Unit prior to the counter signature thereof by the Transfer Agent (as defined in the Trust Indenture);
- (d) ensure compliance by the Trust with continuous disclosure obligations under all applicable securities legislation;
- (e) provide investor relation services to the Trust;
- (f) prepare or cause to be prepared the materials which Trustee is required to provide to the Unitholders pursuant to Sections 11.2 (Notice of Meetings), 17.2 (Quarterly Reporting to Unitholders) and 17.3 (Annual Reporting to Unitholders) of the Trust Indenture, including unaudited financial statements and audited financial statements and provide them to Trustee not later than 5 Business Days prior to the date that Trustee is required to furnish such information to the Unitholders pursuant to the terms of the Trust Indenture;
- (g) with the approval of the board of directors of Purchaser, call, hold and prepare all materials (including notices of meetings and information circulars) in respect of all annual and/or special meetings of Unitholders pursuant to Article 11 of the Trust Indenture;
- (h) monitor the status of the Trust Units as eligible investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (all within the meaning of the *Income Tax Act* (Canada)) and immediately provide Trustee with a written notice when the Manager reasonably foresees that such Units may cease to have such status or, if not reasonably foreseen, when the Units cease to have such status;

- (i) with the approval of the board of directors of Purchaser, determine the amounts payable from time to time to Unitholders and arrange for distributions to them pursuant to the Trust indenture;
- (j) undertake the establishment of the Reserve and payments into such Reserve as described in Sections 5.6 and 5.7 respectively of the Trust Indenture;
- (k) with the approval of the board of directors of Purchaser, determine the timing and terms of future offerings of Trust Units to the public, if any;
- (l) subject to reimbursement pursuant to Section 9.2 herein, and without duplication of any payments made by Purchaser or by Manager on Purchaser's behalf, pay the Trust's share of any freehold mineral taxes, taxes on production and taxes of a similar nature;
- (m) with the approval of the board of directors of Purchaser, recommend and negotiate banking arrangements, including the terms and provisions of credit facilities and Swap Arrangements and opening and maintaining bank accounts in the name of the Trust; and
- (n) cause all things to be done which the Trust is required to do under the terms and provisions of the credit facilities and the Swap Arrangements entered into by the Trust, from time to time.

### **3.3 Restrictions on Delegation of Authority**

Notwithstanding any other provisions of this Agreement, neither Trustee nor Purchaser hereby delegates to Manager any authority to manage the following affairs of the Trust:

- (a) the countersigning, transfer, exchange and cancellation of certificates representing Trust Units;
- (b) the maintenance of a register of Unitholders;
- (c) the distribution of Distributable Income (as defined in the Trust Indenture) to Unitholders, although the calculation of Distributable Income shall be made by Manager and approved by the board of directors of Purchaser and submitted by Manager to Trustee for distribution to the Unitholders;
- (d) the mailing of notices, financial statements and reports to Unitholders pursuant to Sections 15.1, 17.2 and 17.3 of the Trust Indenture, although Manager shall be responsible for the preparation or causing the preparation of such notices, financial statements and reports;
- (e) the provision of a basic list of registered Unitholders (as defined in the Trust Indenture) to Unitholders in accordance with the procedures outlined in the Trust Indenture;
- (f) the amendment or waiver of the performance or breach of any term or provision of this Agreement or the Resources Royalty Agreement on behalf of the Trust;
- (g) the renewal or termination of this Agreement or termination of the Management Period on behalf of the Trust;
- (h) the performance of the duties delegated to Purchaser under Sections 8.2 and 8.3 of the Trust Indenture; and
- (i) any matter which requires the approval of the Unitholders under the terms of the Trust Indenture.

### **3.4 Specific Responsibilities of Manager**

- (a) Manager shall calculate the Distributable Income (as that term is defined in the Trust Indenture) and, upon resolution by the board of directors of Purchaser, shall provide a copy of such resolution to the Trustee accompanied by a written statement as to the amount of the Distributable income on or before the 7th day before a Distribution Date (as defined in the Trust indenture). On or prior to the 5th day before a Distribution Date (as defined in the Trust Indenture), the Manager shall pay to the Trustee (by way of a cheque post-dated to the said Distribution Date) the amount of Distributable Income for distribution by the Trustee to the Unitholders.
- (b) Manager shall use reasonable efforts to monitor the beneficial ownership of Trust Units based on information provided by the Trustee. If, at anytime, Manager is of the opinion that Trustee should require declarations as to beneficial ownership under Section 7.11 of the Trust Indenture, it shall so advise Trustee and provide the form of the declaration therefor to Trustee. If, in the reasonable opinion of Manager, the beneficial owners of 49% of the Trust Units then outstanding are or may be non-residents or such a situation is imminent, it shall so advise Trustee and provide Trustee with an announcement thereof in a form suitable for use by Trustee pursuant to Section 3.8 of the Trust Indenture. If Manager reasonably believes that a majority of the Trust Units are held by non-residents, it shall prepare and furnish to Trustee notices to the non-resident holders of Trust Units, chosen in reverse order to the order of acquisition or registration or in such other manner as Manager may consider equitable and practicable, requiring them to sell their Trust Units or a specified portion thereof within a specified period of time of not less than 60 days, in accordance with Section 3.9 of the Trust Indenture. Trustee shall provide Manager with such information regarding the beneficial ownership of the Trust Units and the order of acquisition or registration thereof as Manager may reasonably request, from time to time, and Trustee may have in its possession in order to assist Manager in fulfilling its obligations under this Section 3.4.

## **ARTICLE 4 MANAGEMENT OF THE PROPERTIES, HB LANDS ROYALTIES AND ADDITIONAL ROYALTIES**

### **4.1 General Delegation of Authority by Purchaser re: Properties**

Subject to the supervision of, and restrictions imposed from time to time by, the board of directors of Purchaser and to the other provisions of this Agreement, Purchaser hereby delegates to Manager, and Manager hereby accepts the delegation of, authority to manage and administer the Properties, all in accordance with the provisions hereof.

### **4.2 Specific Delegation of Authority by Purchaser re: Properties**

In furtherance of its authority under Section 4.1 to manage the Properties, but not in limitation thereof, Manager shall, having regard to good oil field practises and the status of the Purchaser as an Operator or non-Operator:

- (a) operate all Properties which Purchaser is entitled to operate and use all reasonable efforts to monitor operations and to cause all operations in respect thereof to be conducted in a good and workmanlike manner, in accordance with applicable law and the Title and Operating Documents;
- (b) except as otherwise provided herein, cause Purchaser's title to the Properties to be maintained in good standing;

- (c) calculate and pay or cause to be calculated and paid, so far as it is reasonably able to do so, all rentals, royalties and similar payments and all property, severance and similar taxes in respect of the Properties and the Petroleum Substances produced therefrom required to be paid pursuant to the Title and Operating Documents or applicable law, including payments required to maintain title to the Properties;
- (d) keep and maintain at all times true and accurate books, records and accounts containing full and complete particulars of all operations, receipts and disbursements on or relating to the Properties and, upon request by Purchaser, provide copies, at Purchaser's cost, of any of such books; records and accounts;
- (e) maintain custody of and administer all land records and documents necessary or, in the reasonable opinion of Manager, advisable in connection with the Properties, including non-legal examination of title documents, setting up and maintaining of document and correspondence files, land files and rental records, and generally supplying all services provided by the lease and land records department of an oil company and, upon request by and at the cost of Purchaser, provide copies of any of such files and records to Purchaser;
- (f) prepare and file on behalf of Purchaser all applications for incentives; and
- (g) negotiate and execute on behalf of Purchaser all exploitation and development agreements, operating agreements, working agreements, farmin and farmout agreements, leases and other documents relating to the exploitation of the Properties as may be advisable;

and, subject to the terms of Section 11.5, Manager's decisions with respect thereto shall be binding upon Purchaser.

#### **4.3 Applicable Operating Procedures**

The Properties and all operations in respect thereof shall be governed by the terms and provisions of the Applicable Operating Procedures, except as otherwise provided herein. In the event of a conflict between the provisions of the main body of this Agreement and the provisions of an Applicable Operating Procedure, the provisions of the main body of this Agreement shall apply as among the Parties.

#### **4.4 Binding Voting Under Unit Agreements and Other Title and Operating Documents**

Certain Title and Operating Documents, including unit operating agreements, may require voting in respect of various matters and provide that all parties to the agreement shall be bound by the results of the vote. Manager shall cause Purchaser to vote in respect of such matters on a basis consistent with its obligations under Sections 11.5 and 11.11. If such a voting matter is approved, whether or not Manager caused Purchaser to vote, then Purchaser shall be bound thereby in accordance with the provisions of the applicable Title and Operating Documents.

#### **4.5 Title**

- (a) Manager shall use all reasonable efforts so that, to the extent possible, recordable title to the Properties is in the name of Purchaser. To the extent it is not reasonably possible for recordable title to a Property to be in the name of Purchaser, then Manager shall use all reasonable efforts to obtain written confirmation from the Person or Persons holding recordable title declaring that they hold title in trust for Purchaser.

- (b) During the Management Period, each Person which is a party to a Title and Operating Document shall be entitled to deal exclusively with Manager in respect of all matters arising under such Title and Operating Document pertaining to the Properties and shall be entitled to rely upon all communications, elections and notices received by it from Manager during the Management Period in connection with such Title and Operating Document as being binding upon Purchaser.

**4.6 General Delegation of Authority by Trust re: HB Lands Royalties and Additional Royalties**

Subject to the supervision of, and restrictions imposed from time to time by, the board of directors of Purchaser and to the other provisions of this Agreement, Trustee hereby delegates to Manager, and Manager hereby accepts the delegation of, authority to manage and administer the HB Lands Royalties and Additional Royalties, all in accordance with the provisions hereof.

**4.7 Specific Delegation of Authority by Trust re: HB Lands Royalties and Additional Royalties**

In furtherance of its authority under Section 4.6 to manage the HB Lands Royalties and Additional Royalties, but not in limitation thereof, Manager shall:

- (a) administer all matters relating to the HB Lands Royalties and Additional Royalties, including determining the total amount owing to the Trust from third parties and conducting audits as required;
- (b) keep and maintain at all times true and accurate books, records and accounts normally maintained by a royalty owner, and having regard to the information available to the owner of the HB Lands Royalties and Additional Royalties, containing full and complete particulars of all operations, receipts and disbursements on or relating to the HB Lands Royalties and Additional Royalties and, upon request by the Trust, provide copies, at the Trust's cost, of any of such books, records and accounts;
- (c) maintain custody of and administer all land records and documents necessary or, in the reasonable opinion of Manager, advisable in connection with the HB Lands Royalties and Additional Royalties, including non-legal examination of title documents, setting up and maintaining of document and correspondence files, land files and rental records, and generally supplying all services provided by the lease and land records department of an oil company and, upon request by and at the cost of Trust, provide copies of any of such files and records to Trust; and
- (d) prepare and file on behalf of Trust all applications for Incentives, if any;

and subject to the terms of Section 11.5, Manager's decisions with respect thereto shall be binding upon Trust.

**ARTICLE 5  
ACQUISITIONS, DISPOSITIONS AND DEVELOPMENT OPERATIONS**

**5.1 Acquisitions of Properties and Additional Royalties**

- (a) Manager will be responsible for seeking acquisition opportunities for and on behalf of Purchaser and the Trust and, where in accordance with policies adopted by the board of directors of

Purchaser, may cause Purchaser to effect Future Acquisitions or the Trust to effect Future Royalty Acquisitions.

- (b) Manager will, from time to time, provide the board of directors of Purchaser with proposals in respect of acquisition opportunities that Manager believes (i) would meet the criteria of future Acquisitions, or in the case of Future Royalty Acquisitions would meet the criteria set out in Section 5.2 below, and (ii) would contribute to the maximization of the long-term value of the Trust or would otherwise be in the best interests of the Unitholders.
- (c) Manager will only implement an acquisition opportunity on behalf of the Purchaser or the Trust that Manager considers would meet the criteria set out in paragraph (b) above after it has first submitted a proposal to the board of directors of Purchaser pursuant to paragraph (a) above and such board has resolved that Purchaser or the Trust, as the case may be, should participate in such acquisition opportunity.
- (d) The Manager acknowledges that prior to approving an acquisition opportunity involving an acquisition of Additional Properties or Additional Royalties from either Canpar or Rife, the board of directors of Purchaser may obtain an independent fairness opinion.
- (e) In seeking acquisition opportunities pursuant to paragraph (a) above or preparing a proposal pursuant to paragraph (b) above, Manager may retain independent consultants to review the environmental condition and history, facility design and physical integrity of the Properties and Additional Royalties.

## **5.2 Criteria for Future Royalty Acquisitions**

The following criteria will serve as guidelines for the Manager on presenting Future Royalty Acquisitions for approval by the board of directors of Purchaser, who may vary these criteria for any particular Future Royalty Acquisition with the approval of a majority of the Independent Directors, in recognition of the unique economic characteristics of such royalties.

The Manager will consider the following:

- (a) the properties underlying the Additional Royalties acquired in the Future Royalty Acquisition will be quality producing properties with established production history and low reserve risk;
- (b) the properties underlying the Additional Royalties acquired in the Future Royalty Acquisition shall meet the objective of providing a forecasted internal rate of return that is greater than 400 basis points above the yield of long-term (ten year) Government of Canada bonds over the life of the Proven Reserves and Probable Reserves, after deducting General and Administrative Costs and incorporating the impact of debt financing (based on independent engineering reports, if available), but before income taxes;
- (c) commodity price and exchange rate assumptions used in the evaluation of the Future Royalty Acquisition will be from an independent engineering firm acceptable to the board of directors of the Purchaser as recommended by the Manager;
- (d) where the purchase price of the Additional Royalties to be acquired by the Grantor pursuant thereto is in excess of \$5,000,000, the purchase price payable pursuant to the Future Royalty Acquisition will be based on a technical and economic engineering evaluation from an

independent engineering firm, which, with the acceptance of the board of directors of Purchaser may be modified to incorporate the technical views of the Manager;

- (e) the properties underlying the Additional Royalties acquired in the Future Royalty Acquisition will have strong third party operators or be properties where the Manager can assume their operatorship;
- (f) the expected economic life of the property or group of properties underlying the Additional Royalties acquired in the Future Royalty Acquisition will be not less than 10 years; and
- (g) no property underlying the Additional Royalties acquired in a Future Royalty Acquisition, comprised of an interest in a single oil or gas pool will represent in excess of 30% of the Asset Value of the Trust and the Purchaser.

### **5.3 Dispositions of Properties**

- (a) Manager will be responsible for recommending the Disposition of Properties by Purchaser and will provide the board of directors of Purchaser with a proposal in respect of such dispositions where Manager believes that such Properties are unable to contribute to the maximization of the long-term value of the Trust or that their sale is in the best interest of the Unitholders.
- (b) Subsequent to a Disposition of Properties by Purchaser, Manager will use reasonable efforts, unless Otherwise directed by the board of directors of Purchaser, to seek acquisition opportunities in accordance with paragraph 5.1 (a) above so that Purchaser may acquire Properties to replace the Properties disposed of within the same calendar year in which such disposition was completed.

### **5.4 Dispositions of HB Lands Royalties or Additional Royalties**

Manager, on behalf of the Trust, will be responsible for recommending the Disposition of any of the Trust's interests in the HB Lands Royalties, the Resources Royalty, and Additional Royalties and releasing the HB Lands or applicable properties, as the case may be, therefrom. Manager may effect such Disposition provided the board of directors of Purchaser approves such Disposition where the sale proceeds will be in excess of five million (\$5,000,000) dollars and provided also that where the Disposition results in a sale of greater than twenty (20%) percent of the Asset Value of all the Trust's assets, that such Disposition is also approved by a Special Resolution.

### **5.5 Development Operations**

Purchaser hereby delegates to Manager, and Manager hereby accepts the delegation of, the authority to implement for and on behalf of Purchaser any Development Operation Where Manager believes that such Development Operation will maintain or improve production from the Properties, such Development Operation is in accordance with policies adopted by the board of directors of Purchaser and the projected cost is within the capital expenditure limits provided for in Section 6.7 of the Resources Royalty Agreement.

### **5.6 Approval Required**

Other than as provided for in Sections 5.1, 5.4, and 5.5 above, Manager shall not have the authority to cause Purchaser or the Trust to effect any Acquisition, Future Royalty Acquisition,

Disposition or Development Operation unless it has first been approved by the board of directors of Purchaser.

### **5.7 Exploration Operations**

Manager shall not have the authority to commit Purchaser to initiate any Exploration Operations but may commit Purchaser to participate in an Exploration Operation initiated by the Operator or other joint interest owner of a Property, where, in the opinion of Manager, to do so would be in the best interests of the Trust.

## **ARTICLE 6 MARKETING**

### **6.1 Marketing of Production**

- (a) Subject to the existing contracts for the sale of production of Petroleum Substances, Manager shall arrange for the sale of the Royalty Share of Petroleum Substances and products obtained therefrom on the most favorable terms (including price) reasonably available to Purchaser.
- (b) Purchaser will not pay any fee to Manager (whether pursuant to an Applicable Operating Procedure or otherwise) on account of the Marketing of the Royalty Share of Petroleum Substances during the Management Period, except the Management Fee.

## **ARTICLE 7 MANAGEMENT COMPENSATION**

### **7.1 Management Fee**

In consideration of the services provided under this Agreement, Manager will be compensated by payment of the Management Fee, which shall be payable quarterly in part by Purchaser and in part by the Trust and which shall be equal to the Quarterly Management Fee Payment. The board of directors of Purchaser shall determine the portion of the Management Fee which shall be paid by Purchaser, the balance to be paid directly by Trustee for and on behalf of the Trust, to Manager. The Management Fee shall be payable on the 15th day following the end of the Quarter. To the extent the Management Fee is to be paid by Purchaser, it will purchase the applicable number of Trust Units from the Trust for delivery to the Manager.

### **7.2 Intentionally Deleted**

### **7.3 Reimbursement of General and Administrative Costs**

- (a) Purchaser and Trustee on behalf of the Trust will reimburse Manager for all the General and Administrative Costs incurred by Manager in respect of its duties and obligations hereunder. General and Administrative Costs will generally be charged monthly to Purchaser and the Trust by Manager based on time spent and direct costs incurred in fulfilling the obligations of Manager to the Purchaser and the Trust under this Agreement.
- (b) The amounts which Purchaser and Trustee are required to pay to Manager pursuant to this Section 7.3 will be calculated and reimbursed to Manager within five Business Days of billing.

- (c) Overhead recoveries received from third parties in respect of their working interests on Properties operated by Purchaser will be for the benefit of Purchaser and included in Other Revenues and Manager will not be entitled to any remuneration in respect thereof.

#### **7.4 Hold Period**

The Manager shall not sell or otherwise dispose of any of the Trust Units received by the Manager on account of the Quarterly Management Fee Payment until the date which is one (1) year following the date hereof. The restriction on the sales of Trust Units contained in this Section 7.4 shall cease to apply on the termination of this Agreement.

### **ARTICLE 8 TERM AND TERMINATION**

#### **8.1 Term**

- (a) Subject to subsection 8.1(1)) and Section 8.2, this Agreement shall continue in full force and effect for the Initial Term and thereafter, shall be automatically renewed for successive three (3) year terms (each a "**Renewal Term**").
- (b) Subject to Section 8.2, this Agreement shall only be terminated effective at the end of the Initial Term or a Renewal Term:
  - (i) by the Trustee, upon approval of such termination by a Special Resolution of Unitholders and by notice in writing delivered to the Manager not less than twelve (12) months prior to the expiration of the Initial Term or any Renewal Term; or
  - (ii) by the Manager by notice in writing delivered to the Trustee not less than six (6) months prior to the expiration of the Initial Term or any Renewal Term.

#### **8.2 Termination of Management Period**

The Management Period may be terminated by the board of directors of Purchaser at any time upon written notice delivered to Manager without the payment of any compensation to Manager, its employees or consultants (except reimbursement for those General and Administrative Costs referred to in Section 7.3) if:

- (a) Manager has instituted proceedings to be adjudicated as a voluntary bankrupt or consented to the filing of a bankruptcy proceeding against it,
- (b) Manager has filed a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under any Canadian federal or provincial bankruptcy law,
- (c) Manager has consented to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy,
- (d) Manager has voluntarily suspended the transaction of its usual business;
- (e) a court having jurisdiction has entered a decree or order (that has not been stayed pending an appeal):

- (i) adjudging Manager bankrupt or insolvent, under any applicable bankruptcy law; or
- (ii) for the appointment of a receiver, trustee or assign in bankruptcy of Manager;
- (f) any proceeding with respect to Manager has been commenced under the *Bankruptcy and Insolvency Act* (Canada) or *Companies' Creditors Arrangements Act* (Canada) or similar legislation relating to a compromise or arrangement with creditors or claimants; or
- (g) Manager has committed a material default under this Agreement and does not cure such default within 30 days of written notice being given to it by Purchaser or Trustee (in which case such termination shall not relieve Manager from its liability to Purchaser and Trustee in respect of its defaults under this Agreement).

### **8.3 Termination of Agreement**

- (a) Any of Purchaser, Trustee or Manager may terminate the Agreement by written notice to the other Parties if:
  - (i) an "Event of Default" under the Credit Facilities shall have occurred and be continuing, and Lender shall have made a demand for payment pursuant to the Credit Facilities and accelerated the payment of all of the indebtedness of Purchaser or the Trust to Lender under the Credit Facilities or such indebtedness shall have been accelerated and become due without the requirement for such demand; or
  - (ii) the Trust is terminated pursuant to the terms of the Trust Indenture and the affairs of the Trust are wound up in accordance with the terms of the Trust Indenture.
- (b) Where this Agreement is terminated pursuant to this Section 8.3, Manager shall be entitled to be reimbursed for those General and Administrative Costs referred to in Section 7.3.

### **8.4 Rights of Manager on Termination**

- (a) If the Management Period is terminated, Purchaser may appoint a new manager under this Agreement but in any event, Manager shall sell and transfer to the Person designated by the board of directors of Purchaser, all (but not less than all) shares of Purchaser beneficially owned by Manager at the effective date of such termination, all in accordance with the provisions of the unanimous shareholder agreement applicable to Purchaser.
- (b) Manager shall, for the purpose of effecting the sale of its shares of Purchaser, execute such transfers, consents, releases and other documents and make such arrangements in respect of such other matters as are reasonably requested of or by Manager to disassociate Manager from Purchaser and the Trust.

### **8.5 No Release of Liabilities**

Termination of the Management Period or this Agreement will not relieve any Party from any liability or obligation which arose prior to such termination, including the obligation of Purchaser and Trustee to reimburse Manager for those General and Administrative Costs referred to in Section 7.3.

## **8.6 Delivery of Records**

Upon termination of the Management Period, Manager shall deliver to Purchaser or the Trust, as the case may be, all records, documents and books of account maintained under the terms of this Agreement and all materials and supplies for which it has been paid by Purchaser or the Trust and which are in the possession or control of Manager. In addition, upon termination of the Management Period, where records, documents or Title and Operating Documents are required for use by each of Canpar and either the Trust or Purchaser, Manager will permit Canpar to retain the originals thereof but shall, at the cost of the Trust or Purchaser, as the case may be, arrange for Canpar to promptly provide copies thereof to the Trust or Resources.

## **8.7 Authority, Rights and Obligations of Manager Following Termination**

- (a) Upon termination of the Management Period, Manager shall cease to have any authority to represent Purchaser or Trustee, including Purchaser under Title and Operating Documents, provided that until Purchaser or the new manager is made a party to a Title and Operating Document, Manager shall act in good faith in relation to Purchaser's interest thereunder and shall consult with Purchaser prior to making any election or taking any action thereunder which affects Purchaser or its interests.
- (b) Except as provided in this Article 8, the terminated Manager shall have no further rights or obligations under this Agreement.

## **ARTICLE 9 ACCOUNTING**

### **9.1 Trust Funds**

Canpar and Rife will initially receive Purchaser's share of funds attributable to the Properties (including Production Revenues and Other Revenues, if any) and the Trust's revenues generated from or associated with the HB Lands Royalties or Additional Royalties, in each case, in trust, on Purchaser's or the Trust's behalf, as the case may be. Immediately thereafter, Canpar and Rife will deposit to accounts in the name of the Trust and Purchaser, maintained by Manager, all funds of the Trust or Purchaser initially received by Canpar or Rife. Notwithstanding that Purchaser's share of funds attributable to the Properties or that the Trust's revenues generated from or associated with the HB Lands Royalties or Additional Royalties may have been commingled with funds of Manager, Rife or Canpar, Purchaser's and the Trust's funds shall be deemed to be trust funds and shall in no way be funds belonging to Manager, Rife or Canpar, other than as trustee for Purchaser or the Trust, as the case may be.

Notwithstanding the foregoing, subscription proceeds relating to the Initial Public Offering, Royalty Revenues and any cash flow and other revenues generated from or associated with any interest of the Trust in the HB Lands Royalties, the Additional Royalties or the Resources Royalty, or of Purchaser in the Initial Properties or Additional Properties, may not be commingled with the funds of any other entity which is managed by the Manager.

### **9.2 Payment of Costs and Expenses**

The Parties acknowledge that it is intended that Manager will cause the payment of all Production Costs, all amounts payable in respect of the Royalty and all other amounts payable by Purchaser, and the Trust pursuant to this Agreement, or the Resources Royalty Agreement, out of the revenues of Purchaser and the Trust received by Manager on the Trust's and Purchaser's behalf, from time

to time. To the extent Manager is not able to pay any of such amounts when they become due from revenues attributable to the Properties received by it, on Purchaser's behalf, or from revenues attributable to the HB Lands Royalties or Additional Royalties received by it, On the Trust's behalf, Manager may invoice Purchaser or the Trust, as the proper case may be, therefor and Purchaser or the Trust shall cause such invoice to be paid within 5 Business Days of billing by Manager. To the extent that Manager does not have funds of Purchaser or the Trust available to pay any of such costs, Manager shall have no obligation to cause them to be paid, but may, in its sole discretion, pay such amounts out of its own funds. Manager shall be entitled to set off any amounts payable to It by Purchaser or the Trust pursuant to this Agreement against amounts payable or distributable by Manager to Purchaser or the Trust.

### **9.3 Distribution of Revenues**

Subject to Section 9.2, Manager shall distribute to Purchaser the revenues attributable to the Properties received by Manager, on Purchaser's behalf, and to the Trust, the revenues attributable to the HB Lands Royalties or Additional Royalties received by Manager, on the Trust's behalf, in accordance with Section 9.1.

### **9.4 Cash Calls**

- (a) Purchaser shall pay or secure the payment of its share of future costs and expenses as and when required by a Third Party pursuant to the terms of a Title and Operating Document.
- (b) Except as provided in subsection 9.4(a), Manager shall not be entitled to cash call Purchaser on account of costs and expenses relating to the Properties during the Management Period.

### **9.5 Interest on Unpaid Amounts**

If a Party (the "**Payor**") does not pay any amount payable by it hereunder to another Party (the "**Payee**") pursuant hereto when due, the Payor shall pay interest on such amount to the Payee at the Prime Rate plus 2% from the date such amount was due until such amount is paid to the Payee.

## **ARTICLE 10 REPORTS AND AUDITS**

### **10.1 Audits**

- (a) If required by the terms of the Credit Facilities or if Purchaser or Trustee requests during any calendar year and up to two years thereafter, and on 60 days' notice, Manager will furnish to Purchaser or the Trust, as the case may be, a financial audit of the costs and revenues pertaining to the Properties in the case of the Purchaser, or pertaining to the HB Lands Royalties or Additional Royalties, in the case of the Trust, during the stated fiscal year by a qualified independent auditor selected by Manager and approved by Purchaser or the Trust, as the case may be, and Lender, provided that the first of such audits shall cover the period from the date hereof until December 31, 1996. The costs of such audits shall be borne by Purchaser and deducted by the Purchaser in determining the Royalty.
- (b) Purchaser and the Trust each shall have the right, at its cost and on 5 days' notice, to reasonably audit the books and records of Manager in respect of the General and Administrative Costs and other amounts paid by Purchaser to Manager, and in respect of those amounts paid by the Trust to the Manager, in each case, including the Management Fee, at any reasonable time during the

Management Period and during a two year period after the Management Period, provided that such audits shall be at reasonable intervals.

- (c) Purchaser shall have the right, at its cost, at any time, to review the books and records maintained by Manager on its behalf relating to Purchaser's interests in the Properties, and the Trust shall have the right, at its cost, at any time, to review the books and records maintained by Manager on its behalf relating to the Trust's interest in the HB Lands Royalties and Additional Royalties.

## **10.2 Annual Engineering Evaluations**

During the fourth Quarter of each calendar year, Purchaser and Manager shall discuss whether an engineering evaluation of the Properties, HB Lands Royalties and Additional Royalties as at the end of the fourth Quarter of such calendar year should be obtained. If the Parties agree that such engineering evaluation should be obtained, or, failing such agreement, if Purchaser requests that such evaluation be obtained or such evaluation is required by the terms of the Credit Facilities, Manager shall furnish to Purchaser a report by a qualified independent petroleum engineering consultant, selected by Manager and approved by Purchaser and Lender, showing the estimated total Proved Reserves and Probable Reserves in the Properties and properties underlying the HB Lands Royalties and Additional Properties as at the end of the fourth Quarter of such calendar year, the dollar amount of estimated future net revenues therefrom before tax and the estimated present worth of such future net revenues with cash flow discounted at various rates, taking into consideration all pertinent factors customarily considered in independent engineering reports. Manager shall provide such other reports and evaluations of the Properties and the properties underlying the HB Lands Royalties and Additional Royalties as Purchaser or the Trust may be required to furnish, from time to time, pursuant to the Credit Facilities. The costs of such reports shall be borne by Purchaser and deducted by Purchaser in determining the Royalty.

## **10.3 Confidentiality Restrictions**

To the extent that Manager is prevented from releasing information to Purchaser or Trustee by virtue of confidentiality provisions, it shall not be obligated to do so, provided that Manager shall use all reasonable efforts to be released from such confidentiality provisions insofar as Purchaser and Trustee are concerned.

## **10.4 Preservation of Records**

Manager shall maintain and preserve all accounts, books and other documents relevant to its activities hereunder until the expiration of the Management Period and for six years thereafter.

## **10.5 Parties to Keep Information Confidential**

- (a) The Parties shall keep confidential all books, records, files and other information pertaining to the Properties, together with all analyses, compilations, studies or other documents which contain information from or otherwise reflect such books, records, files or other information.
- (b) Subsection 10.5(a) shall not apply to a Party in respect of information that:
  - (i) was in the public domain prior to its receipt by such Party pursuant hereto;
  - (ii) becomes part of the public domain after such receipt through no act or omission on the part of such Party, its employees, agents or representatives; or

- (iii) such Party is required to disclose by applicable law, regulatory authorities, stock exchanges, securities commissions or similar requirements.

## **10.6 Annual Certificate**

Manager shall deliver to Trustee within 60 days after the end of each calendar year, and at any time upon the demand of Trustee, acting reasonably, a certificate signed by a senior officer of Manager stating that, to the best of Manager's knowledge, Manager has complied with all of its duties contained in this Agreement relating to the management of the general and administrative affairs of the Trust and Purchaser which, if not complied with, would, with the giving of notice, lapse of time or otherwise, constitute a default of Manager under this Agreement or, if there has been a failure to so comply, giving particulars thereof.

## **ARTICLE 11 GENERAL MATTERS RESPECTING PURCHASER AND TRUST**

### **11.1 Manager's Acknowledgment and Covenant**

Manager acknowledges and agrees that it has received a copy of the Trust Indenture and is familiar with and understands the duties of Manager, Purchaser and Trustee thereunder, including those which are being delegated to Manager under this Agreement. Manager agrees to comply in all respects with the provisions of the Trust indenture in the performance of its duties and obligations hereunder. In addition, Manager covenants to each of the Trust and Purchaser, not to amend or waive the performance or breach of any term or provision of the Contract Services Agreement without the prior written consent of Purchaser.

### **11.2 Third Party Operators**

Purchaser and Trustee acknowledge that control over operations on some of the Properties may be delegated to Third Party Operators under Applicable Operating Procedures, which will limit the management and control which Manager can exercise and that, in accordance with accepted industry practices in regard to the operation of Petroleum and Natural Gas Rights by Third Party Operators, Manager may not maintain complete records with respect to such Properties. In addition, in recognition of the unique characteristics of the HB Lands Royalties and Additional Royalties, but subject to the Manager's obligations under Sections 8.6 and 11.5, Manager may not maintain complete records respecting the properties underlying the HB Lands Royalties and Additional Royalties.

### **11.3 Limitation**

Notwithstanding anything to the contrary herein, Manager shall not be obligated to do or cause anything to be done by Purchaser or the Trust, unless Manager has funds of Purchaser or the Trust available to pay the costs and expenses thereof.

### **11.4 Powers and Authorities of Manager**

Manager shall have full right, power and authority to do and refrain from doing all such things as are necessary or appropriate in order to discharge its duties hereunder, subject, however, to such restrictions on its powers and authorities in respect of the management of the general administrative affairs of the Trust and Purchaser as may be imposed in writing, from time to time, by the board of directors of Purchaser. Manager's objective in exercising its powers and discharging its duties hereunder shall be to maximize the income distributable to the Unitholders to the extent consistent with long-term

growth in the value of the Trust. In pursuing such objectives, Manager will employ prudent oil and natural gas business practices.

#### **11.5 Standard of Care and Duty of Loyalty**

In exercising its powers and discharging its duties under this Agreement, Manager shall exercise that degree of care, diligence and skill that a reasonably prudent advisor and manager in respect of oil and gas properties in Western Canada would exercise in comparable circumstances. All of Manager's activities will be conducted in accordance with applicable laws.

#### **11.6 Delegation**

- (a) Manager may delegate specific aspects of its obligations hereunder to any other Person, provided that such delegation shall not relieve Manager of any of its material obligations under this Agreement and provided that Manager shall not delegate any of its obligations hereunder to manage and administer the affairs of Purchaser or the Trust unless Manager shall have notified Purchaser or Trustee, as the case may be, of the name of the Person or Persons to whom such delegation is to be made and the terms and conditions thereof and Purchaser or Trustee, as the case may be, has provided the prior written consent to such delegation Manager shall not, in any manner, directly or indirectly, be liable or held to account for the activity or inactivity of any Person, other than an affiliate of Manager, to whom any such obligations may be delegated, provided that, in making such delegation, Manager has acted in accordance with the duty of loyalty and standard of care prescribed in Section 11.5 and has monitored the performance of such obligations by such Person in accordance with the standard of care prescribed in Section 11.5.
- (b) Purchaser and the Trust will reimburse Manager for the amounts paid by Manager to Persons to whom Manager delegates specific obligations hereunder in accordance with this Section 11.6.

#### **11.7 Limit of Liability**

Manager shall not be liable to Purchaser or the Trust, and Purchaser shall not be liable to the Trust in respect of the Resources Royalty Agreement, for any losses or damages suffered by them with respect to any matter or thing including without limitation which result from advice given by Manager or the exercise by Manager of any discretion or its refusal to exercise a discretion, provided that Manager has acted in accordance with the duty of loyalty and standard of care prescribed in Section 11.5 and the loss or damage suffered by Purchaser or Trust is not attributable to Manager's fraud, wilful default, negligence or bad faith.

#### **11.8 Reliance**

Manager shall be entitled, in connection with its obligations hereunder, to rely on statements, advice or opinions (including financial statements and auditor's reports) of professional advisors who are competent to give such advices and on any instrument or other documents believed by it to be genuine and in force, provided that such reliance is in accordance with the standard of care specified in Section 11.5.

#### **11.9 Indemnification of Manager**

Manager shall be indemnified and saved harmless by Purchaser from and against all losses, claims, damages, liabilities, obligations, reasonable costs and expenses (including judgments,

finances, penalties, amounts paid in settlement and legal fees (on a solicitor and client basis) and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against Manager in any way arising from or related in any manner to this Agreement except to the extent resulting from Manager failing to discharge its duties and obligations hereunder in accordance with the duty of loyalty and standard of care specified in Section 11.5, or the fraud, wilful default, negligence or bad faith of Manager or its employees.

#### **11.10 Indemnification of Purchaser, the Trust and Trustee**

Manager shall indemnify and save harmless Purchaser, the Trust, Trustee and their officers, directors and employees from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and legal (on a solicitor and client basis) and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against any of them by a Third Party in any way arising from or related in any manner to the failure by Manager to discharge its duties and liabilities hereunder in accordance with the duty of loyalty and standard of care specified in Section 11.5, or the fraud, wilful default, negligence or bad faith of Manager or its employees, except to the extent that such losses, claims, damages, liabilities, obligations, costs and expenses arise from the fraud, negligence or wilful default of the Person seeking indemnification.

#### **11.11 Conflicts of Interest**

Purchaser and Trustee acknowledge that there may be situations in which the interests of Manager will conflict with those of the Unitholders. Manager may acquire oil and natural gas properties, including royalty interests on its own behalf and for and on behalf of persons other than Purchaser or the Trust. Manager may manage and administer such additional properties, as well as enter into other types of energy-related management and advisory activities. Accordingly, neither Manager, nor its management, will carry on their full-time activities on behalf of Purchaser and the Trust and, when acting on behalf of others, may at times act in contradiction to or competition with the interest of the Trust or Purchaser. Manager shall resolve such conflicts, on a basis consistent with the objectives and financial resources of each group of interested parties, the time limitations on investment of such resources, and on the basis of operating efficiently having regard to the then current holdings of properties of each group of interest parties, all consistent with the duties of Manager to each group of persons. The Manager will use all reasonable efforts to resolve such conflicts of interest in a manner which will treat the Trust or Resources and the other interested party fairly, taking into account all of the circumstances of the Trust or Resources and such interested party and will act honestly and in good faith in resolving such matters.

#### **11.12 Insurance**

- (a) Manager shall, commencing on the execution hereof and until the end of the Management Period, hold or cause to be held with a reputable insurance company or companies, insurance policies to provide for protection of the Properties which is at or above Canadian oil and gas industry standards and which will include insurance for property damage, general liability and, where prudent in the reasonable judgment of Manager, business interruption. Manager shall review such insurance with the board of directors of Purchaser at least once in every calendar year and, if appropriate in the opinion of Manager, recommend to the board of directors of Purchaser variations in such insurance. Manager shall vary such insurance as requested by the board of directors of Purchaser, from time to time.
- (b) Purchaser and the Trust shall be named insureds in such policies of insurance as their respective interests may appear. Manager shall use its best commercial efforts to add Trustee as an

additional insured to all liability insurance maintained by Manager pursuant hereto, as its interest may appear and in any event obtain a waiver of subrogation in respect of Trustee.

- (c) Manager shall furnish evidence of compliance with the foregoing to Purchaser and Trustee from time to time at the request of either of them. Such requests shall be made at reasonable intervals, but not more frequently than once in any calendar year.
- (d) In addition to the insurance referred to in Section 11.12, Manager shall arrange for such directors' and officers' liability and other similar insurance as the board of directors of Purchaser may request, from time to time.
- (e) Purchaser shall be responsible for the costs of the insurance maintained pursuant hereto.

### **11.13 Force Majeure**

- (a) No Party hereto shall be deemed to be in default with respect to non-performance of its obligations hereunder to the extent that its non-performance is due to an order of any court; an order or ruling of any agency, board, tribunal or similar body acting pursuant to any law, statute or statutory instrument; a strike, lockout, fire, flood, explosion, lightning or act of God or the Queen's enemies; or any other cause (whether similar or dissimilar to those enumerated) beyond its control; but lack of finances shall not, in any event, be a cause beyond the control of a Party.
- (b) A Party claiming suspension of its obligations as aforesaid shall notify the other in writing as soon as practical of any such anticipated delay in its ability to perform hereunder and the nature and details thereof, the anticipated duration of such condition, and the action which that Party proposes to take with respect to such condition, and shall promptly remedy the cause and effect of the force majeure insofar as it is reasonably able so to do; provided that the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the Party claiming suspension of its obligations hereunder by reason thereof and that Party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted. After a Party's ability to perform its obligations hereunder has been restored, it shall promptly notify the other Party in writing thereof.

## **ARTICLE 12 OTHER MANAGED PROPERTIES**

### **12.1 Managed Properties**

Purchaser and the Trust each acknowledge that Manager may manage other properties for and on behalf of either itself, or any Third Party. Neither Purchaser nor the Trust shall have any share of the fees or interests of Manager under agreements relating to the management of such other properties, nor any liability for any of Manager's obligations in respect thereof.

### **12.2 Meaning of "Managed"**

For purposes hereof, the interest of a Person in an asset will be "managed" by Manager if Manager provides services to such Person which are similar to the services provided by Manager under Articles 2 and 4. Acting as Operator will not, by itself, constitute managing an interest.

**ARTICLE 13  
NOTICES**

**13.1 Giving and Deemed Receipt of Notices**

Whether or not so stipulated herein, each notice, communication or statement (herein called a "**notice**") required or permitted hereunder shall be in writing. A notice may be served:

- (a) by delivering it to the Party to whom it is being given at that Party's address for notices hereunder, during normal business hours of the addressee on a Business Day. Such notice shall be deemed received by the addressee when actually delivered as aforesaid; or
- (b) by telecopier (or by any other like method by which a written and recorded message may be sent) directed to the Party to whom it is being given at that Party's telecopy number for notices hereunder. Such notices shall be deemed received by the addressee thereof (i) when actually received by it if sent within the normal working hours of a Business Day (ii) otherwise at the commencement of the next ensuing Business Day following transmission thereof.

**13.2 Addresses**

The address and facsimile number for notices hereunder of each of the Parties shall be as follows:

Purchaser: Freehold Resources Ltd.  
400, 144 - 4 Avenue S.W.  
Calgary, Alberta, T2P 3N4  
Attention: President  
Facsimile: (403) 221-0888

Trustee: Computershare Trust Company of Canada  
Suite 710, 530 - 8 Avenue S.W.  
Calgary, Alberta T2P 3S8  
Attention: Manager Corporate Trust, Freehold  
Facsimile: (403) 267-6598

Manager: Rife Resources Management Ltd.  
400, 144 - 4 Avenue S.W.  
Calgary, Alberta, T2P 3N4  
Attention: President  
Facsimile: (403) 221-0888

**13.3 Change of Address**

A Party may change its address or facsimile number for notices hereunder by notice to the other Parties.

**ARTICLE 14  
MISCELLANEOUS**

**14.1 Assignment**

No Party shall dispose of its interest in this Agreement without the prior written consent of the other Parties, provided that a Party may mortgage, pledge, charge or grant a security interest in this Agreement without the approval of the other Parties to secure its obligations and liabilities to Third Parties.

**14.2 Enurement**

Subject to Section 14.1, this Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

**14.3 Waivers in Writing**

No waiver by any Party of any breach of any of the covenants, conditions and provisions herein contained shall be effective or be binding on any other Party unless such waiver is expressed in writing and any waiver to expressed shall not limit or affect its rights with respect to any other or future breach.

**14.4 Time of Essence**

Time is of the essence of this Agreement.

**14.5 No Partnership**

Nothing herein shall be construed as creating a partnership and no Party shall have any partnership rights or liabilities hereunder or in connection herewith.

**14.6 Severability**

The terms and provisions of this Agreement are severable. in the event of the unenforceability or invalidity of any one or more of the terms or provisions of this Agreement under applicable law, such unenforceability or invalidity shall not render any of other terms or provisions hereof unenforceable or invalid and the Parties agree that this Agreement shall be construed as if such unenforceable or invalid term or provision was never contained herein.

**14.7 Amendments**

No amendment, alteration or variation of this Agreement or any of its terms or provision shall be binding upon the Parties unless made in writing and signed by the duly authorized representatives of each of the Parties and (other than such amendments made to remove conflicts between the Prospectus and this Agreement or such amendments not, in the opinion of counsel for Trustee, prejudicial to the interests of Unitholders) approved by a resolution of the Unitholders pursuant to the Trust Indenture.

**14.8 Amendment and Restatement**

This amended and restated management agreement replaces and supercedes the Original Management Agreement dated November 25, 1996 among Rife Resources Management Ltd., Freehold

Resources Ltd. and Montreal Trust Company of Canada, predecessor in interest to Computershare Trust Company of Canada.

**ARTICLE 15  
CONCERNING TRUSTEE**

**15.1 Acknowledgment**

The Parties hereto acknowledge that Computershare Trust Company of Canada is entering into this Agreement solely in its capacity as trustee of the Trust and the obligations of Trustee hereunder shall not be personally binding upon Computershare Trust Company of Canada or any of the Unitholders of the Trust and that any recourse against the Trust, Computershare Trust Company of Canada as trustee of the Trust, or any Unitholder in any manner in respect of any indebtedness, obligation or liability of the Trust arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including without limitation claims based on negligence, or otherwise tortious behavior, shall be limited to, and satisfied only out of, the Trust Fund as defined in the Trust Indenture.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed the date first above written.

**RIFE RESOURCES MANAGEMENT LTD.**

Per:(Signed) "David J. Sandmeyer"

**FREEHOLD RESOURCES LTD.**

Per:(Signed) "David J. Sandmeyer"

**COMPUTERSHARE TRUST COMPANY OF  
CANADA, in its capacity as Trustee of  
FREEHOLD ROYALTY TRUST**

Per:(Signed) "Dan Sander"