

EXPLORATION LICENCE (CONSOLIDATED) NO. EL494

**ISSUED BY THE MINISTER OF INDUSTRY,
TOURISM AND INVESTMENT
(hereinafter called the "Minister").**

TO THE INTEREST OWNER Husky Oil Operations Limited

WHEREAS Husky Oil Operations Limited is the sole interest owner of Exploration Licence 494 with a Work Commitment of \$376,000,000.00;

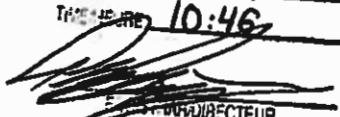
AND WHEREAS Husky Oil Operations Limited as sole interest owner and the Minister agreed to consolidate EL462 and EL463 into EL494, pursuant to Section 24 of the *Petroleum Resources Act*;

AND WHEREAS Husky Oil Operations Limited, by the drilling of a well on each of the lands relating to EL462 and EL 463, fulfilled the Work Program as required by EL462 and EL 463;

AND WHEREAS the Minister and the interest owner have agreed to the amended terms as contained herein and as more particularly described in Schedule II;

1. INTERPRETATION

- (a) In this Licence, including all Schedules annexed hereto, unless the context requires otherwise:
- (i) "Act" means the *Petroleum Resources Act*;
 - (ii) "Operations Act" means the *Oil and Gas Operations Act*;
 - (iii) "Lands" means the frontier lands described in Schedule I or such portion thereof that remains subject to this Licence from time to time;
 - (iv) "Period" means a segment or portion of the term described in Schedule III or, if no period is described therein, means the entire term of this Licence;
 - (v) "Regulations" means any and all regulations now made or that may be made at any time under the authority of the Act or the Operations Act, and any Acts passed in substitution therefor.
- (b) All words and phrases used in this Licence have the meaning given by the Act, the Operations Act, or the Regulations.
- (c) This Licence is issued under and subject to the Act, the Operations Act, and any Act passed in substitution therefor, the Regulations and the provisions of any other Act of the Northwest Territories and regulations made thereunder that relate to or affect this Licence and the Act. The Regulations and such other Act and other regulations shall be deemed to be incorporated into this Licence as though specifically enumerated herein.
- (d) The following Schedules are attached and made part of this Licence:
- Schedule I - Lands
 - Schedule II - Ownership
 - Schedule III - Terms and Conditions
 - Schedule IV - Representative(s) and Addresses for Service

INTEREST/TITRE
REGISTRATION NO
No D'ENREGISTREMENT 15013
DATE October 5, 2015
TIME 10:46

LE DIRECTEUR

2. RIGHTS

- (a) Subject to the Act and the Operations Act, this Licence confers, with respect to the frontier lands to which this Licence applies,**
 - (i) the right to explore for, and the exclusive right to drill and test for, petroleum;**
 - (ii) the exclusive right to develop those frontier lands in order to produce petroleum;**
and
 - (iii) the exclusive right, subject to compliance with the other provisions of the Act, to obtain a production licence.**
- (b) This Licence shall be held by the interest holder as to the Lands, in the shares as set forth and described in Schedule II, or as amended from time to time.**
- (c) The rights under this Licence are subject to the right of any other licence holder to enter on and use the area subject to this Licence to the extent necessary to enable that other licence holder to exercise the rights under that other licence.**

3. EFFECTIVE DATE

This Licence is effective as of the date of issuance.

4. TERM

Subject to the Act, the term of this Licence is as set out in Schedule III.

5. ANNUAL RENTALS

- (a) Rentals, if any, shall be levied annually at the rate set forth in Schedule III.**
- (b) Rentals, if levied, shall be paid in advance, in respect of the Lands. The payment of rentals may be secured by cheque, letter of credit or other negotiable financial instrument in a form satisfactory to the Minister.**
- (c) Rentals paid shall be refunded annually at the rate set forth in Schedule III.**

6. NON-COMPLIANCE

Failure to pay rentals or otherwise fail to comply with any terms and conditions of this Licence may result in the termination of the Licence.

7. INDEMNITY

- (a) It is a condition of this Licence that the interest owner or interest holders shall, in respect of that portion of the Lands to which such interest holder's share relates, at all times, jointly and severally, indemnify and save harmless the Government of the Northwest Territories from and against all claims, demands, loss, 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.**

- (b) 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 Northwest Territories under subparagraph 7(a).
- (c) For the purposes of subparagraphs 7(a) and 7(b), "Northwest Territories" shall not include a Territorial corporation.
- (d) This commitment to indemnify the Northwest Territories shall survive the expiration of this Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

8. LIABILITY

- (a) An interest holder shall be liable under the provisions of this Licence, the Act, the Operations Act and the Regulations for all claims, demands, loss, 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 relate to any work or activity conducted after such party ceases to be an interest holder in this Licence.
- (b) Liability as set out in this paragraph shall survive the expiration of this Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

9. SUCCESSORS AND ASSIGNS

Subject to paragraphs 7 and 8, this Licence enures to the benefit of, and is binding on, the Government of the Northwest Territories and the interest owner and their respective heirs, administrators, successors and assigns.

10. NOTICE

Any notice, communication or statement required under the Act or the Operations Act shall be served on the designated person, on behalf of the Minister or on the interest owner, as the case may be, by personal delivery, or by fax at that address specified in Schedule IV hereof, or such other addresses as may be designated from time to time by the Minister or the interest owner, as the case may be.

11. REPRESENTATIVE

Unless otherwise designated in the prescribed manner under the Act, 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 IV.

12. AGREEMENT

The issuance of this Licence by the Minister comprises the agreement between the interest owner and the Minister as to the terms and conditions contained herein.

ISSUED at Yellowknife, this 24th day of Sept, 2015


Brad H. Allison
Senior Vice-President, Exploration
Husky Oil Operations Limited


Minister of Industry, Tourism and Investment

**SCHEDULE I
LANDS**

(Lands formerly held under EL462)

Latitude	Longitude	Section
64°50' N	125°45' W	001-033, 039-043, 049-053, 058-063, 068-080
64°50' N	126°00' W	001-080
64°50' N	126°15' W	001-008, 011-018, 021-028, 031-038, 041-048, 051-058, 061-068, 071-078
64°50' N	126°30' W	001-008, 011-018, 021-028, 031-038
65°00' N	126°00' W	001-080

(87,748 hectares more or less)

(Lands formerly held under EL463)

Latitude	Longitude	Section
64°50' N	126°15' W	009-010, 019-020, 029-030, 039-040, 049-050, 059-060, 069-070, 079-080
64°50' N	126°30' W	009-010, 019-020, 029-030, 039-040, 049-050
65°00' N	126°15' W	001-080
65°00' N	126°30' W	001-050
65°10' N	126°15' W	001-080
65°10' N	126°30' W	001-050
65°20' N	126°15' W	051-054, 061-064, 071-074
65°20' N	126°30' W	001-004, 011-014, 021-024, 031-034, 041-044

(87,034 hectares more or less)

**SCHEDULE II
OWNERSHIP**

(Lands formerly held under EL462 and EL463)

Latitude	Longitude	Section	Interest Holder	Share
64°50' N	125°45' W	001-033, 039-043, 049-053, 058-063, 068-080	Husky Oil Operations Limited	100%
64°50' N	126°00' W	001-080		
64°50' N	126°15' W	001-008, 011-018, 021-028, 031-038, 041-048, 051-058, 061-068, 071-078		
64°50' N	126°30' W	001-008, 011-018, 021-028, 031-038		
65°00' N	126°00' W	001-080		
64°50' N	126°15' W	009-010, 019-020, 029-030, 039-040, 049-050, 059-060, 069-070, 079-080		
64°50' N	126°30' W	009-010, 019-020, 029-030, 039-040, 049-050		
65°00' N	126°15' W	001-080		
65°00' N	126°30' w	001-050		
65°10' N	126°15' w	001-080		
65°10' N	126°30' w	001-050		
65°20' N	126°15' w	051-054, 061-064, 071-074		
65°20' N	126°30' w	001-004, 011-014, 021-024, 031-034, 041-044		

**SCHEDULE III
TERMS AND CONDITIONS**

1. TERM

This Licence is effective as of the date of issuance and ending on August 29, 2020. The term shall be comprised of two consecutive periods as follows:

Period 1

From date of issuance to August 29, 2016

Period 2

From August 30, 2016 to August 29, 2020

Subject to the Licence, Period 2 shall follow Period 1.

2. WORK DEPOSIT

This Licence is held by a Work Deposit in the amount of \$94,000,000.00 which was previously submitted for the former Exploration Licences EL462 and EL463, which was consolidated EL494.

The Work Deposit is refundable as expenditures are deemed allowable during Period 1 of the term of this Licence and on expenditures deemed allowable under the terms of EL494. A credit against the Work Deposit will be made on the basis of twenty-five percent (25%) of allowable expenditures, referred to hereafter, as they are approved. Any Work Deposit balance remaining at the end of Period 1 will be forfeited.

3. PERIOD 1 EXTENSION

The interest holder may, at its option, extend Period 1 for successive one (1) year periods to attempt to meet its Work Commitment and obtain the refund of its Work Deposit, by posting an extension fee consisting of an amount equal to the rental that the interest holder would otherwise have paid pursuant to Section 4 of this schedule, had the term of the Licence entered that year into Period 2.

The interest holder must provide notice of an extension at least (60) days prior to the end of Period 1, or an extension of Period 1, as the case may be, and must be in compliance with the terms of the Licence.

The extension fee shall be payable in advance, in the form of an irrevocable letter of credit, certified cheque or other negotiable financial instrument in a form that is satisfactory to the Minister.

Where Period 1 is so extended, Period 2 shall be reduced accordingly.

Twenty five percent (25%) of allowable expenditures incurred during any extension of Period 1 shall be credited against the Work Deposit pursuant to Section 5 of this schedule. If the Work Commitment has been fully met during an extension of Period 1, any extension fee paid for such extension will thereafter be refundable in a like manner to rentals pursuant to Section 5, for allowable expenditures which are incurred during such extension.

4. RENTALS

Rentals paid during Period 2 are refundable as allowable expenses are incurred during Period 2.

In period 2, rentals will be applicable at the following rates:

1 st year	2 nd year	3 rd and 4 th year
\$3.00/ha	\$5.50/ha	\$8.00/ha

Rentals will be payable annually, in advance, and are to be submitted in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister.

When an exploration licence continues in force beyond Period 2 due to the drilling of a well deemed to be pursued diligently in accordance with Section 26 of the *Petroleum Resources Act*, rentals will be payable at the rates applicable during the last year of Period 2. Such rentals will be payable monthly, in advance, at the rate of one twelfth (1/12) of the applicable annual rates.

Failure to pay rentals will result in the termination of this Licence, consequently the lands will revert to the Crown as Crown reserve lands.

Rentals may be payable on lands included in a significant discovery licence.

5. ALLOWABLE EXPENDITURES¹

Work Deposits and rentals will be refunded on the following basis, subject to further clarification by the Registrar.

Costs related to the following classes of exploratory work undertaken as part of a program authorized by the Office of the Regulator of Oil and Gas Operations may be claimed at cost:

Data acquisition: by means of reflection seismic surveys or other geophysical, geo-technical or geological surveys, including costs relating to field acquisition and processing, inspection and clean-up.

Data purchase: from vendors at arm's length for re-processing and/or interpretation, to the extent that the data assists the evaluation of the specific licence.

Drilling operations: Costs relating to construction of access routes, preparation of drilling sites, transportation to and from well location and staging areas, onsite drilling and evaluation, support vessels, helicopters, site clean-up and restoration. Drilling operations involved in an exploratory or delineation well may entail waiting on weather, logging, well testing and completion. Extended formation flow testing will be regarded as an allowable expenditure.

Mobilization and demobilization: equipment and supplies, and any incurred stand-by charges deemed reasonable by the Registrar.

Notwithstanding the above, the Minister may agree to costs claimed with respect to classes of work or activity, or the use of innovative technology not contemplated by this schedule.

General and Administrative: Ten percent (10%) of the above allowable expenditures to

reflect other costs not specifically itemized above, and including program specific consultations, data interpretation, regional office support, management and pre- and post-program costs.

All claims are subject to approval by the Minister and may be subject to a post audit if ordered by the Registrar

¹Notes:

- (a) Claims should be made by letter from the Representative to the Registrar, Petroleum Resources Division, and contain a statement certified by an officer of the company or a professional engineer, geologist or geophysicist that the information in the statement is true and accurate to the best of their knowledge. The statement should provide a breakdown of actual costs for all cost items and may be subject to post-audit. Claims for drilling operations and related charges should be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Minister.
- (b) Costs must be incurred by the explorer, and must fairly and reasonably reflect the expense to the explorer of exploratory work.
- (c) Claims are subject to approval by the Minister.
- (d) Approval is subject to confirmation that program reporting requirements have been met to the satisfaction of the Regulator.
- (e) Costs related to exploratory work within Period 1 of the Exploration Licence must be incurred prior to the end of Period 1. Costs related to exploratory work within Period 2 of the licence must be incurred prior to the end of Period 2.
- (f) Costs attributed to exploratory work must be related to the evaluation of the specific licence. Costs which apply to more than one licence or program must be fairly apportioned.
- (g) Guidance Notes on Claiming Allowable Expenditures as published on the Department of Industry, Tourism and Investment website and as amended from time to time are intended to assist the interest owner with a submission for a claim for allowable expenditures.

**SCHEDULE IV
REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE**

**Husky Oil Operations Limited
707 - 8th Avenue S.W.
CALGARY AB T2P 1H5**

Attention: Manager, Land

**Phone: (403) 298-8111
Facsimile: (403) 298-7040**

**Petroleum Resources Division
Department of Industry,
Tourism and Investment
P.O. Box 3018
Inuvik NT X0E 0T0**

Attention: Manager, Oil and Gas Rights

**Phone: (867) 777-7484
Facsimile: (867) 777-5105**

E-mail: petroleum@gov.nt.ca