

COURT FILE NUMBERS

25-2332583
25-2332610
25-2335351

OF THE COURT
FILED

APR 24 2018

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE
OF CALGARY

JUDICIAL CENTRE

CALGARY

PROCEEDINGS

IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF MANITOK ENERGY INC.

IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF RAIMOUNT ENERGY CORP.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF CORINTHIAN OIL CORP.

DOCUMENT

FIRST REPORT OF THE RECEIVER

April 24, 2018

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 - 6th Avenue SW
Calgary, Alberta T2P 3H7
Attention: Orest Konowalchuk/Tim Reid
Telephone: (403) 538-4736 / (403) 538-4756
Email: okonowalchuk@alvarezandmarsal.com
treid@alvarezandmarsal.com

COUNSEL

Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700,
Calgary Alberta T2P 4H2
Attention: Howard A. Gorman, Q.C. / D. Aaron Stephenson
Phone: (403) 267 8144
Fax: (403) 264 5973
Email: howard.gorman@nortonrosefulbright.com
aaron.stephenson@nortonrosefulbright.com
File: 1001023920



ALVAREZ & MARSAL

TABLE OF CONTENTS OF THE FIRST REPORT OF THE RECEIVER

INTRODUCTION	3
TERMS OF REFERENCE	4
BACKGROUND AND OVERVIEW	5
THE FREEHOLD PVR AND RELATED MANITOK PROPERTIES	6
CONCLUSION.....	13

LISTING OF APPENDICES TO THE FIRST REPORT OF THE RECEIVER

APPENDIX A	Schedule B to PVR Agreement
APPENDIX B	Freehold Correspondence dated March 21, 2018
APPENDIX C	Email Correspondence between Counsel
APPENDIX D	Freehold Correspondence dated April 3, 2018

INTRODUCTION

1. Effective February 20, 2018 (the “Receivership Date”), pursuant to an order of the Court of Queen’s Bench of Alberta (the “Court”) granted in these proceedings (the “Consent Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver and manager (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, including but not limited to real property and wherever situate including all proceeds thereof (the “Property”) of Manitok Energy Inc. (“Manitok”) and its wholly owned subsidiary Raimount Energy Corp. (“Raimount”) (together, the “Company”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, (the “BIA”) and section 13(2) of the *Judicature Act*, RSA 2000, c J-2.
2. Prior to the Receivership Date, Manitok and its wholly owned subsidiaries Corinthian Oil Corp (“Corinthian”) and Raimount had each filed a Notice of Intention to File a Proposal under the BIA (“NOI”). The stay was terminated by the Court on February 20, 2018, and each were deemed bankrupt. A&M was appointed as the Bankruptcy Trustee, replacing FTI Consulting Inc., who had been appointed as proposal Trustee under the NOI’s.
3. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of the Company and to take possession and control of its Property and of any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
4. Corinthian is not part of the Receivership and A&M is managing its affairs as Bankruptcy Trustee and through Manitok, who is the operator of the Corinthian properties. The Corinthian assets are not material to the assets of the Company.

5. The purpose of this first report of the Receiver (the “First Report” or “this Report”) is to provide this Honourable Court with information in respect of the application being brought by Freehold Royalties Partnership (“Freehold”) returnable on May 4, 2018, wherein Freehold seeks a declaration that:
 - a) the production volume royalty (“PVR”) granted to Freehold is an interest in land and accordingly is not property of Manitok and therefore is not governed by the Receivership Order;
 - b) the Receiver reinstate the ability of Freehold to take production in kind (“TIK”) and immediately pay over to Freehold the proceeds from any Oil Volumes received by the Receiver and relating to the PVR; and
 - c) costs be awarded to it on a solicitor client basis.
6. This First Report will also provide the Court with a brief summary of the Company and the initial activities of the Receiver generally.
7. Capitalized words or terms not defined or ascribed a meaning in the First Report are as defined or ascribed a meaning in the Receivership Order or the materials filed by Freehold.
8. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

9. Prior to the Receivership Date, Alvarez & Marsal Canada ULC (“A&M ULC”) was engaged as a financial advisor to NBC through its counsel, McCarthy Tetrault LLP, and this engagement was consented to by the Company. The engagement commenced on May 8, 2017 and terminated immediately prior to the Receivership Date. In that role, A&M ULC from time to time reviewed, assessed and reported to NBC on the operations and ongoing viability of VHO including the strategic review process undertaken by the Company with the assistance of Raymond James (“RJ”), an Investment Bank (the “Strategic Review Process”), and the NOI process that commenced on January 10, 2018 and terminated on February 20, 2018.

10. In preparing this First Report, the Receiver has relied upon information obtained prior to the Receivership Proceedings in its role as financial advisor, the representations of certain former management and employees of the Company and financial and other information contained in the Company's books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND AND OVERVIEW

11. Manitok's head office is in Calgary, Alberta and the Receiver has retained the office lease to allow it to complete the sale of the assets and attend to necessary operational and administrative matters involved in an oil and gas receivership process.
12. Manitok is a public oil company with its core and most valuable properties in four separate areas in Alberta. The Company also has a number of non-core properties scattered around Alberta, however the value of those properties is not material and a number have negative value. The current production capability of the Companies is approximately 4000 boe/d, of which approximately 34% is liquids.
13. The Company's lands contain approximately 1400 well bores. Corinthian has another approximate 250 well bores, for a total of 1650 that are licensed to and operated by the Company. The Receiver continues to review the viability of the lands and on a preliminary basis it appears that less than 500 wells are economically viable with the remaining wells likely to be disclaimed by the Receiver and Trustee.
14. The Company's last public disclosure was the 2017 third quarter financial statements, which indicated:
 - a) the oil and gas properties had a net book value of approximately \$202 million and a decommission liability of \$105 million. This does not represent realizable values in any sales process to be conducted by the Receiver; and

- b) secured debt of \$71 million, excluding certain facilities subject to rental agreements and any monies owed to Freehold in respect of the PVR.
- 15. As at the Receivership Date, Manitok had approximately 75 employees and independent contractors administering and responsible for the field operations. All of the Company's employment and contractor arrangements were terminated by the Receiver as at the Receivership Date. The Receiver entered into new short-term agreements (the "Contractor Agreements") with approximately 65 employees and independent contractors (the "Contractors") to assist with the accounting, operational, land administration and certain other duties required of the Receiver in the overall administration of the Receivership Proceedings. The Contractor Agreements allow for termination at any time and Contractors are currently being engaged on an "as needed" basis.
- 16. Since the Receivership Date, the Receiver's activities have in general and in summary included securing, preserving, understanding and stabilizing the operations of the Company and taking all steps necessary to ensure the continuation of oil and gas production. As well, the Receiver has been assessing the economics of the various properties and identifying claims against those properties to assist in determining how best to divest the properties.
- 17. Further background to the Company and its financial circumstances is contained in the materials filed in support of and relating to the Receivership Order. These documents and other relevant information have been posted by the Receiver on its website at: www.alvarezandmarsal.com/Manitok (the "Receiver's Website").

THE FREEHOLD PVR AND RELATED MANITOK PROPERTIES

The Relevant Agreements

- 18. On June 11, 2015, Manitok and Freehold entered into a Production Volume Royalty Acquisition Agreement ("Acquisition Agreement") and a Production Volume Royalty Agreement ("PVR Agreement"). The agreements are appended to the affidavit of Michael Stone.

19. The Acquisition Agreement provides that Manitok agreed to grant the Producing Royalty (also referred to as the PVR) to Freehold in exchange for consideration of \$25,000,000. The Producing Royalty is defined in the Acquisition Agreement as *“the non-convertible production volume royalty, being an interest in land...as set out and described in Schedule “B” to the production volume royalty agreement”*.
20. Schedule “B” of the PVR Agreement is attached as **Appendix A** for ease of reference and provides that:
- a) the PVR is “... in respect of Oil Volumes within, upon or under the Royalty Lands. It is the express intention of the parties that the Producing Royalty ...constitutes and is to be construed as, an interest in land and runs with the Royalty Lands...”. (Oil Volumes are defined as Crude Oil and Condensate produced from the Royalty Lands.)
 - b) Manitok agrees it is forever estopped from disputing or contesting in any manner that the PVR is an interest in land.
 - c) Freehold shall receive on a first priority basis the Producing Royalty “on production of Oil Volumes from the Royalty Lands...” as follows:
 - i. for the first eight years, the first 140 bbls per day produced from the Stolberg Royalty Lands, and if 140 bbls are not produced from the Stolberg Royalty Lands, the shortfall will be made up first from the Wayne Royalty Lands and then from the Carseland Royalty Lands.
 - ii. after the first eight years, the royalty rate reduces by 10% per year on a declining balance basis and the priority is the same as the first eight years.
 - d) The PVR continues so long as any portion of the Royalty Lands remain subject to the Documents of Title.
21. The PVR Agreement is a schedule to the Acquisition Agreement and sets out the terms and provisions that would govern the Royalty Lands after the effective date

of the agreements, being June 1, 2015. Certain of the distinguishing provisions of the PVR Agreement include:

- a) that Manitok shall be the operator for the purposes of the PVR Agreement, including conducting the Committed Capital Program;
- b) there is a capital commitment of \$10 million for each of the 3 years commencing January 1, 2016 and running through December 31, 2018, and Manitok was to drill 2 wells on the Stolberg Royalty Lands in each of the 3 years. ("Committed Capital Program");
- c) if Manitok does not meet the requirements of the Capital Commitment Program, Freehold can issue a Deficiency Notice and Manitok has 60 days to cure the default. If not cured, Freehold has the right to make up the committed amount and to do so may enter onto the Royalty Lands and conduct the operations;
- d) Manitok is to manage and operate the Royalty Lands in a good and workmanlike manner and accordance with good oilfield practices;
- e) if Freehold does not elect to take the Oil Volumes in kind, Manitok will market and arrange to transport the Oil Volumes for no fee and the proceeds shall be payable in accordance with Schedule "B" of the PVR Agreement;
- f) if Manitok defaults in the payment of any amounts to Freehold, Freehold may, without limiting any of its other rights, charge interest, set off amounts owed and maintain an action for any unpaid amounts as if the obligation to pay such amounts and interest thereon is liquidated damages;
- g) neither Manitok nor Freehold shall assign all or a portion of the PVR Agreement without the other party's consent;

default in payment of the PVR was delivered by Freehold prior to the date of Manitok's bankruptcy and receivership.

25. The Receiver understands that Manitok was in default of the Committed Capital Program under the PVR Agreement in 2017. The Receiver is not aware, however, that any deficiency notice or other formal notice of default under the Committed Capital Program was delivered by Freehold prior to the date of Manitok's bankruptcy and receivership. On March 21, 2018, Freehold's legal counsel sent correspondence to the Receiver that asserted a deficiency. See the correspondence at **Appendix B**.
26. It is unlikely the Receiver will cause Manitok to make any expenditures under the Committed Capital Program.
27. The Receiver has asked Freehold, through legal counsel, to confirm the Receiver's understanding that no Deficiency Notices or Grantor Default Notices were delivered by Freehold under Sections 4.3(b) or 7.1 of the PVR Agreement. Freehold, through legal counsel, confirmed that Freehold's land department had communicated with Manitok at various times about the Committed Capital Program, but none of Freehold's communications were Deficiency Notices under Clause 4.3(b) of the PVR Agreement (nor any other form of default notices). Freehold's legal counsel provided no information to suggest that Freehold ever delivered a Grantor Default Notice under Section 7.1 of the PVR Agreement or other form of notice with respect to Manitok's payment of the PVR. See the email exchange between legal counsel at **Appendix C**.

Manitok Properties Affected by the PVR

28. The Manitok properties included in the Royalty Lands covered by the Acquisition Agreement and PVR Agreement include three of the four core properties and are referred to as the Stolberg Royalty Lands, Wayne Royalty Lands and Carseland Royalty Lands. The Royalty Lands currently have combined production of 2370 boe/d, which is 60% of the total current production of the Company.

29. To the best of the Receiver's knowledge, the Producing Royalty of 140 bbls per day has always been paid through production from the Stolberg Royalty Lands. No Producing Royalty payments have been made from the Wayne Royalty Lands or the Carseland Royalty Lands. Current oil production from the Stolberg Royalty Lands is approximately 400 bbls a day. The Receiver requested that Freehold confirm the PVR was paid based on production from the Stolberg Royalty Lands. Freehold, through legal counsel, confirmed its understanding that the Producing Royalty was paid with proceeds of production from the Stolberg Royalty Lands until Freehold's delivery of the TIK notice, and thereafter took the production in kind from the Stolberg Royalty Lands.(see **Appendix C**).
30. Since the Acquisition Agreement was executed, a number of lands have expired and the land schedule should be amended.

The Receivers Actions to Date

31. Former management expressed to the Receiver that it doubted whether the PVR was truly an interest in land. The Receiver therefore undertook a detailed review of the agreements and had discussions with Freehold and its counsel.
32. As discussed below, it is not clear to the Receiver that the PVR has any priority over the Receiver's priority charges and potential borrowing granted under Receivership Order, the priority charges granted under the NOI proceedings for the Administration and DIP charges, or over other creditors of Manitok. The Receiver interprets the PVR Agreement, on balance, as having not conveyed an interest in land to Freehold. That interpretation is explained in the Receiver's Brief, which will be filed concurrently with this Report. On that basis, the Receiver may cease to perform the PVR Agreement as contemplated by the Receivership Order.
33. As a consequence of the Receiver's PVR investigation, the Receiver determined it was necessary and prudent to advise Freehold that the Receiver had concerns about the status of Freehold's claim as an interest in land and Freehold's taking in kind of 140 bbls of produced Oil Volumes per day.

34. The Receiver revoked Freehold's TIK prior to the marketing of the February Oil Volumes and on or about March 25, 2018, the Receiver collected \$267,671.70 relating to those volumes. The Receiver is holding those funds pending the determination of Freehold's application.
35. Freehold declined to meet with the Receiver after the revocation of the TIK, but it agreed for its legal counsel to meet with the Receiver and the Receiver's legal counsel. That meeting took place on March 27, 2018 wherein the following was discussed:
- a) the Receiver's concern that the PVR was not in fact an interest in land;
 - b) the priority of the Receivers' Charges relative to the PVR;
 - c) the economic impact of the PVR on the continued operation of the Royalty Lands;
 - d) whether the Receiver could disclaim or repudiate the PVR Agreement;
and
 - e) Freehold's position that a court order would be required for the Receiver to sell the Royalty Lands without an assumption of the PVR by the purchaser.
36. In correspondence dated April 3, 2018, legal counsel for Freehold advised of its position that the Freehold PVR was an interest in land and that the Receiver had no ability to dispute that fact or to revoke the Freehold election to take the Oil Volumes in kind. Legal counsel for Freehold further advised that if the take in kind election was restored, Freehold may consider negotiating with the Receiver. A copy of the correspondence is attached as **Appendix D**.
37. The Receiver has taken preliminary steps to establish a process for selling the properties of the Company including those lands included in the Royalty Lands under the PVR Agreement.

38. The PVR has a significant impact on the marketability of the properties and a determination of the priority and status of the PVR and right of the Receiver to sell the Royalty Lands needs to be determined.

CONCLUSION

39. The Receiver has concluded, on balance, that an interest in land was not granted to Freehold under the Royalty Agreement. In these circumstances, and given the conflicting position of Freehold, the Receiver respectfully requests this Court's advice and direction on whether or not:

- a) the Acquisition Agreement and PVR Agreement give Freehold an interest in land; and
- b) the Receiver is obligated to perform the Freehold Agreements.

All of which is respectfully submitted this 24th day of April, 2018

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Manitoak and not in
its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A

Schedule “B” to PVR Agreement

Schedule "B" attached to and forming part of the Production Volume Royalty Agreement dated June 11, 2015 between Manito Energy Inc., as Grantor and Freehold Royalties Partnership, as Grantee

PRODUCING ROYALTY

Grant: In accordance with Section 2.1 and this Schedule "B", the Producing Royalty is granted by Grantor to Grantee in respect of all Oil Volumes within, upon or under the Royalty Lands. It is the express intention of the Parties that the Producing Royalty therein granted by Grantor to Grantee constitutes, and is to be construed as, an interest in land in and runs with the Royalty Lands and the Parties intend that the Producing Royalty shall be an interest in land.

Amendment: The Producing Royalty shall continue for so long as all or any portion of the Royalty Lands remain subject to the Documents of Title existing on the date hereof, as may be amended, renewed, extended or replaced, provided that if any Documents of Title expire or terminate, the Producing Royalty shall no longer apply to those of the Royalty Lands previously the subject of such expired or terminated Document of Title; provided further, the Producing Royalty shall apply to any Royalty Lands previously the subject of such expired or terminated Document of Title that are, directly or indirectly, leased, top-leased, optioned, licensed or otherwise acquired by Grantor or an Affiliate of Grantor before or within twenty-four (24) months after the expiry or termination of such Document of Title, and Grantor shall promptly provide to Grantee copies of such leases, top-leases, options, licences and other acquisitions.

No Objection: Grantor on behalf of itself and its Affiliates, acknowledges and agrees that it is forever estopped from taking any action whatsoever to dispute, challenge, contest or contend in any manner whatsoever that the Producing Royalty is an interest in land in the Royalty Lands.

Calculation of Producing Royalty: Grantee shall receive, on a first-priority basis, the Producing Royalty on production of Oil Volumes from the Royalty Lands, which shall be quantified as follows:

- (a) for the first eight (8) years from and after the Effective Date (the "Initial Royalty Period"), the Producing Royalty shall consist of the first one hundred and forty (140) bbls per day of Oil Volumes produced from the Stolberg Royalty Lands, provided that where one hundred and forty (140) bbls per day of Oil Volumes are not produced from the Stolberg Royalty Lands, the Producing Royalty shall in addition consist of that number of barrels required to make up the one hundred and forty (140) bbls per day of Oil Volumes, which shall first be taken from produced Oil Volumes from the Wayne Royalty Lands and second from the Carseland Royalty Lands; and
- (b) on a year-to-year basis from and after the Initial Royalty Period, the Producing Royalty shall consist of the first X_n bbls per day of Oil Volumes produced from the Stolberg Royalty Lands, where X_n is determined as follows:

$$X_n = X_{n-1} - (X_{n-1} * 0.1)$$

where:

X_n is the daily volume rate of the Producing Royalty in the current year; and

X_{n-1} is the daily volume rate of the Producing Royalty in the immediately preceding year,

provided that where X_n bbls per day of Oil Volumes are not produced from the Stolberg Royalty Lands, the Producing Royalty shall in addition consist of that number of barrels required to make

up the one hundred and forty (140) bbls per day of Oil Volumes, which shall first be taken from produced Oil Volumes from the Wayne Royalty Lands and second from the Carseland Royalty Lands

Revenue from Producing Royalty:

- (c) "Production Month" means each calendar month in which there is production of Oil Volumes from the Royalty Lands and containing days for which Grantee has not elected to take its Producing Royalty in-kind;
- (d) "Grantee Producing Royalty Volume" means, in respect of each Production Month, the cumulative sum of the Producing Royalty daily volume rates for each day of such calendar month for which Grantee has not elected to take its Producing Royalty in-kind;
- (e) "Grantee Oil Revenue" means, in respect of each Production Month, the Grantee Producing Royalty Volume for such calendar month multiplied by the Oil Price;
- (f) "Oil Price" means, in respect of each Production Month:
 - (i) when the average price of Condensate is equal to or greater than the average price of Crude Oil, the volume weighted average price received by the Grantor; and
 - (ii) when the average price of Condensate is less than the average price of Crude Oil, the volume weighted average price of Crude Oil received by the Grantor,

in each case, from an arm's length purchaser or purchasers dealing with the sale of Oil Volumes produced from the Royalty Lands, acting as a reasonably prudent operator and having regard to current market prices, availability of markets and economic conditions affecting the industry generally; and

- (g) "Producing Royalty Payment" means, in respect of each Production Month, the net amount of the Grantee Oil Revenue, as supported by a marketing revenue statement.

Producing Royalty Payment: Grantor shall pay to Grantee, on or before the 5th day of the second month following each Production Month, the Producing Royalty Payment for such Production Month.

APPENDIX B

Freehold Correspondence date March 23, 2018



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
855 - 2nd Street S W
Suite 3500, Bankers Hall East Tower
Calgary AB T2P 4J8 Canada
Tel: 403-260-9600 Fax: 403-260-9700

March 21, 2018

VIA COURIER

WITHOUT PREJUDICE

Kevin Kerr

Partner

Dir: 403-260-9746

kevin.kerr@blakes.com

Reference: 89015/22

Manitok Energy Inc.
c/o Alvarez & Marsal Canada Inc.
Suite 2600, 585 - 8th Ave SW
Calgary, Alberta T2P 1G1
Fax: 403-984-1749

Attention: Mr. Tim Reid & Ms. Jill Strueby, Alvarez & Marsal Canada Inc., in its capacity as receiver (the "Receiver") of Manitok Energy Inc.

Subject: Production Volume Royalty Acquisition Agreement (the "Acquisition Agreement") dated as of June 11, 2015 between Manitok Energy Inc. ("Manitok") and Freehold Royalties Partnership ("Freehold"); Interest Clarification and Acknowledgement Agreement dated as of June 11, 2015 among Manitok, Freehold and National Bank of Canada; and Production Volume Royalty Agreement dated as of June 11, 2015 between Manitok and Freehold (the "Royalty Agreement") (collectively, the "Agreements")

Dear Mr. Reid and Ms. Strueby:

Terms not otherwise defined in this letter will have the meanings given to them in the Agreements.

This letter is provided to you, in your capacity as the Receiver of Manitok, in order to bring to your attention certain rights of Freehold, and obligations and failures of Manitok, pursuant to and under the Agreements.

On June 11, 2015, Freehold acquired from Manitok a royalty interest over certain land interests owned by Manitok. The royalty, being an interest in land owned by Freehold, is governed by the Royalty Agreement

Pursuant to Clause 9.1(a) of the Royalty Agreement, Manitok may not assign or otherwise dispose of less than all of their respective interest without Freehold's prior written consent. Further, pursuant to Clause 9.1(c) of the Royalty Agreement, in the event that Manitok grants a Security Interest or overriding royalty for the purpose of security relating to finance, Manitok must deliver to Freehold an agreement with the Lien Holder or overriding royalty holder substantially similar to the Interest Clarification and Acknowledgement Agreement.

Pursuant to Clause 4.2(a) of the Royalty Agreement, Manitok was required to spend a minimum amount of Ten Million Dollars (\$10,000,000) for the drilling, completion, re-completion, workover, equipping and tie-in for the production of wells in the past calendar year. In addition, pursuant to Clause 4.2(b), Manitok was required to drill at least two (2) gross wells over the past calendar year. Manitok has failed to meet these obligations under the terms of the Royalty Agreement.



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
855 - 2nd Street S.W.
Suite 3600, Bankers Hall East Tower
Calgary AB T2P 4J8 Canada
Tel: 403-260-9600 Fax: 403-260-9700

Please be advised that if Manitok does not satisfy these obligations that it (and, by extension, the Receiver) will be in breach of the Royalty Agreement. Freehold recognizes that it will be stayed from taking steps under the Agreements as a result of the Receivership Order, but expects that prior to assignment of the Agreements to any person that each obligation of Manitok under the Agreements will be brought back into good-standing.

If you would like to discuss this matter further, please do not hesitate to contact the undersigned at 403-260-9746 or kevin.kerr@blakes.com.

Best Regards,

Kevin J. Kerr

APPENDIX C

Email Correspondence between Counsel

Grose, Maggie

From: Grose, Maggie
Sent: Tuesday, April 24, 2018 3:17 PM
To: Grose, Maggie
Subject: FW: ManitoK | PVR
Attachments: Tab 2.pdf; Tab 1.pdf; Tab 3.pdf; Tab 4.pdf

From: NYBERG, CHRIS [mailto:CHRIS.NYBERG@blakes.com]
Sent: April-24-18 2:13 PM
To: Stephenson, Aaron; Gorman, Howard A.
Cc: ZAHARA, RYAN
Subject: RE: ManitoK | PVR

Howard & Aaron,

Please find attached Freehold's responses to the questions posed by the Receiver below.

Receiver's Question	Response
1. Was Freehold represented by legal counsel during the negotiation and drafting of the Production Volume Royalty Agreement (PVRA)?	Yes.
2. Was the Production Royalty always paid by ManitoK with production from the Stolberg Royalty Lands?	To Freehold's knowledge, it was paid proceeds from the sale of Oil Volumes (Proceeds) by ManitoK until September of 2017. Freehold understands those Proceeds were from the Stolberg Royalty Lands; however, Freehold is not aware of whether or not any of the Proceeds were derived from the remaining Royalty Lands. Since Freehold elected to take in-kind in September of 2017, the Production Royalty for the subsequent production months was taken from the Stolberg Royalty Lands.
3. Did Freehold ever serve ManitoK with a Deficiency Notice under Clause 4.3(b) or a Grantor Default Notice under Clause 7.1 of the PVRA?	<p>At least three members of Freehold's Land Department were in contact with Mr. Rodger Perry, Vice President, Land at ManitoK at various times regarding ManitoK's obligations under Clause 4.3 of the PVRA, including:</p> <ul style="list-style-type: none">• Susan Nagy, Manager, Land Acquisitions and Growth at Freehold, who had email exchanges with Mr. Perry on December 15, 2016 and January 18, 2017 [TABS 1 & 2];• Kristin Rennie, Manager, Land Dispositions and Operations at Freehold, who had at least one phone conversation and one meeting with Mr. Perry in May/June of 2017 [TAB 3]; and• Frank Ternier, Manager, Land Value Preservation & Compliance at Freehold, who had a telephone conversation with Mr. Perry on August 2, 2017 with an in-person meeting occurring shortly thereafter [TAB 4].

The primary purpose of each of these conversations was to remind Manitok of its obligations under Clause 4.3 of the PVRA and to solicit information as to Manitok's plan satisfy the same.

Chris Nyberg
Associate
chris.nyberg@blakes.com
Dir: (403) 260-9707



Blake, Cassels & Graydon LLP
855 - 2nd Street S.W., Suite 3500, Calgary AB T2P 4J8
Tel: 403-260-9600 Fax: 403-260-9700
blakes.com | [Twitter](#) | [Unsubscribe](#)

Blake, Cassels & Graydon LLP | Barristers & Solicitors | Patent & Trade-mark Agents
This email communication is CONFIDENTIAL AND LEGALLY PRIVILEGED. If you are not the intended recipient, please notify me at the telephone number shown above or by return email and delete this communication and any copy immediately. Thank you.

L'information paraissant dans ce message électronique est CONFIDENTIELLE. Si ce message vous est parvenu par erreur, veuillez immédiatement m'en aviser par téléphone ou par courriel et en détruire toute copie. Merci.

From: Stephenson, Aaron [<mailto:aaron.stephenson@nortonrosefulbright.com>]
Sent: Friday, April 20, 2018 2:33 PM
To: NYBERG, CHRIS
Cc: Gorman, Howard A.; ZAHARA, RYAN
Subject: RE: Manitok | PVR

Hi Chris,

Are you able to confirm the listed facts (below)? It would avoid the necessity of cross-examining Mr. Stone. Please let me know.

Thanks.

Aaron Stephenson
Of Counsel

Norton Rose Fulbright Canada LLP / S.E.N.C.R.L., s.r.l.
400 3rd Avenue SW, Suite 3700, Calgary Alberta T2P 4H2 Canada
T: +1 403.267.8290 | F: +1 403.264.5973
aaron.stephenson@nortonrosefulbright.com

NORTON ROSE FULBRIGHT

From: Stephenson, Aaron
Sent: April-18-18 4:10 PM
To: 'NYBERG, CHRIS'
Cc: Gorman, Howard A.; 'ZAHARA, RYAN'
Subject: Manitok | PVR

Hi Chris,

Further to our discussion earlier today, the Receiver does not anticipate having to cross-examine on Mr. Stone's affidavit if you can confirm the following facts, which I believe are uncontroversial:

- Freehold was represented by legal counsel during the negotiation and drafting of the Production Volume Royalty Agreement;
- the Production Royalty was always paid by Manitoak with production from the Stolberg Royalty Lands;
- Freehold never served Manitoak with a Deficiency Notice under Clause 4.3(b) or a Grantor Default Notice under Clause 7.1 of the Production Volume Royalty Agreement;

Please let us know.

Aaron Stephenson
Of Counsel

Norton Rose Fulbright Canada LLP / S.E.N.C.R.L., s.r.l.
400 3rd Avenue SW, Suite 3700, Calgary Alberta T2P 4H2 Canada
T: +1 403.267.8290 | F: +1 403.264.5973
aaron.stephenson@nortonrosefulbright.com

NORTON ROSE FULBRIGHT

Law around the world
nortonrosefulbright.com

CONFIDENTIALITY NOTICE: This email is confidential and may be privileged. If you are not the intended recipient please notify the sender immediately and delete it.

Law around the world
nortonrosefulbright.com

CONFIDENTIALITY NOTICE: This email is confidential and may be privileged. If you are not the intended recipient please notify the sender immediately and delete it.

December 15, 2016

Manitok Energy Inc.
Suite 700, 444 – 7th Avenue SW
Calgary, AB T2P 0X8

Attention: Rodger Perry

RE: Production Volume Royalty Agreement dated June 11, 2015
Freehold File: C004724

In accordance with the above subject agreement, Freehold Royalties Partnership as "Grantee" wishes to inquire further to Article 4 of the said agreement and specifically pursuant to clause 4.2 when we can expect to receive Manitok Energy Inc.'s formal election notification with respect to the Capital Commitment Amount and Committed Capital Program details for the Capital Commitment Term for the upcoming year.

We look forward to your early response to this request for information in the very near future.

Please feel free to contact the undersigned at 403-221-0867 should you have any questions or wish to discuss this matter further.

Freehold Royalties Partnership


Susan Nagy
Senior Landman

Susan Nagy

From: Rodger Perry <RPerry@manitok.com>
Sent: Wednesday, January 18, 2017 2:47 PM
To: Susan Nagy
Cc: Marjorie Blumhagen
Subject: Production Volume Royalty Agreement - 2017 update
Attachments: 2016 - Freehold Royalty Yearly Update - PVR.pdf

Hello Susan,

In regard to your December 15, 2016 letter and email, attached is ManitoK's summary of expenditures.

My apology for not providing this information to you sooner.

Regards,

Rodger Perry, P. Land
Vice President, Land



Manitok Energy Inc.
Suite 700, 444 - 7th Avenue SW, Calgary, AB, T2P 0X8
Direct: 403-984-1770 | Cell: 403-852-8115 | Fax: 403-984-1749
rperry@manitok.com

From: Susan Nagy [<mailto:Snagy@rife.com>]
Sent: December-15-16 11:50 AM
To: Rodger Perry <RPerry@manitok.com>
Cc: Marjorie Blumhagen <mblumhagen@rife.com>
Subject: Production Volume Royalty Agreement - 2017 update

Hi Rodger,

Attached is a letter requesting ManitoK provide Freehold Royalties Partnership an update as to the Capital Commitment Amount and Capital Commitment Program scheduled for 2017 on the Royalty Lands, pursuant to Article 4.2 of the Production Volume Royalty Agreement.

Your earliest attention to this matter would be appreciated.

Thanks and look forward to scheduling a lunch with you in the new year.

Susan Nagy
Senior Landman, Acquisitions, Deep Basin and AB Legacy Lands

Rife Resources Ltd.
400, 144 - 4 Avenue SW
Calgary, AB T2P 3N4

t. 403.221.0867
c. 403.708.2027
f. 403.221.0875
e. snagy@rife.com
w. rife.com

Rife manages:

Freehold Royalties Ltd., Freehold Royalties Partnership, and Canpar Holdings Ltd.

We have moved!

As of Monday November 28th, 2016 Manitok Energy Inc. new address is:
Suite 700, 444 7th Avenue SW
Calgary, Alberta T2P 0X8



Suite 700, 444 – 7th Avenue SW
Calgary, Alberta T2P 0X8
Phone 403-984-1750
Fax 403-984-1749

January 18, 2017

Freehold Royalties Ltd.
400, 144 – 4th Ave SW
Calgary, Alberta T2P3N4

Attention: Susan Nagy

RE: Production Volume Royalty Agreement dated June 11, 2015

Referencing your email and letter dated December 15, 2016 and pursuant to Article 4.2 a. and Article 4.3 a. of the Production Volume Royalty Agreement dated June 11, 2015 Manitok provides an update on the Capital Commitment Amount and Capital Commitment Program completed for 2016 and the Capital Commitment Program anticipated for 2017 on the Royalty Lands. Manitok's total qualifying capital expenditures pursuant to Article 4.2 a. and Article 4.3 a. amounts to \$14,405,219.97.

The breakdown of those capital expenditures are as follows:

1. Capital Expenditures for the Period June 1, 2015 (Effective Date) to December 31, 2015 - (Article 4.3 a.)

	Location	Operation	Costs
1	MNK WAYNE 100/04-13-028-21W4/02	recompletion	163,055.87
2	MNK WAYNE 102/13-35-027-22W4/00	recompletion	41,702.72
3	BEISEKER 100/11-36-028-24W4/04	recompletion	311,161.76
4	CARSELAND 102/03-28-022-25W4/00 (WAS 104/06-28)	recompletion	1,037,937.89
5	STOLBERG 102/15-30-042-15 W5	recompletion	413,121.14
		TOTAL	1,966,979.38

2. Capital Expenditures for the Period 2016 - (Article 4.2 a.)

Manitok participated in drilling and completing six (6) - 100% operated Mannville wells, (5) in the Carceland area and (1) in the Wayne area of SE Alberta, two (50%) Mannville wells in the Rockyford area and Manitok conducted a re-entry operation (100%) on 1 Foothills well located in the Stolberg Area for a total capital spend of approximately \$12,052,042. Manitok was not able to complete completion operations on four of the 100% operated Mannville wells noted with an asterisk in the following table, due to delays caused by a shortage of services. Costs incurred to date have been included. These wells are expected to be completed in late January/early March 2017.

3. **100% Manitok Wells**

	Location	Operation	Costs
1	CARSELAND 103/14-32-022-25W4/00	D, C, E&T	2,527,233.83
2	CARSELAND 102/13-33-022-25W4/00	D, C, E&T	1,689,863.00
3	*WAYNE 103/15-19-028-21W4	D, C, E&T	1,725,196.20
4	CARSELAND 100/10-04-023-25W4	D, C, E&T	1,565,460.66
5	*CARSELAND 102/07-33-022-25W4	D, C, E&T	1,039,107.51
6	*CARSELAND 100/09-15-022-25W4	D, C, E&T	1,413,461.99
7	*STOLBERG 100/15-30-042-15 W5 REENTRY	Re-entry	294,620.02
	TOTAL		10,254,943.21
(D, C, E&T – drill, complete, equip and tie-in)			

4. In the fourth quarter of 2015, Manitok entered into a farmout and option agreement with Lone Pine Resources ("LPR") involving only non producing lands, where LPR committed to spend up to \$20.0 million from the fourth quarter of 2015 to the end of 2016 in the Rockyford area of SE Alberta and depending on the level of success achieved with the drilling, could lead up to an additional \$20.0 million of capital spending, before the end of 2017. Manitok had/has the option to participate in each earning well and was/will be carried for a 5% working interest by the LPR in each earning well it did not participate in. The entire capital spend from the Farmout Agreement will be fully allocated to Manitok's Prairiesky capital commitment. Given the tight capital markets this was an essential transaction that not only helped to satisfy Manitok's 2016 capital commitment to Prairiesky but added approximately 180 net boe/d of production to Manitok. LPR drilled one Mannville well in 2015 at a location in 102/13-35-025-22W4/00 and drilled 13 wells in 2016. Manitok was carried for a 5% working interest in 11 Mannville wells. Manitok elected to participate for a 50% working interest in 2 Mannville wells. The wells drilled by LPR in 2016 are noted below.

a) **Lone Pine Operated wells – Manitok 50% Participation**

	Location	Operation	Net Costs
	102/13-07-025-22W4/00	D, C, E&T	1,070,853.83
	102/01-17-025-22W4/00	D, C, E&T	726,244.80
	TOTAL		1,797,098.62

b) **Lone Pine Operated Wells –Drilled 100% by Lone Pine**

- Manitok carried for 5% working interest

Location	Operation	5% Net E & T Costs	Gross Costs
100/03-22-025-22W4/00	D, C, E&T	49,690.16	2,831,480.10
102/14-27-025-22W4/00	D, C, E&T	46,107.17	2,625,673.30
103/04-21-025-22W4/00	D, C, E&T	6,693.56	1,637,823.27
100/16-28-025-22W4/00	D, C, E&T	4,675.11	1,391,675.27
100/01-21-025-22W4/00(was 100/09-16)	D, C, E&T	7,271.24	1,550,893.87
100/03-25-027-21W4/00	D, C, E&T	117,317.94	4,202,131.80
100/02-26-027-21W4/00	D, C, E&T	117,317.94	4,401,358.80
102/04-16-025-22W4/00	D, C, E&T	-	200% penalty in E&T
102/13-22-028-22W4/00	D, C, E&T	-	200% penalty in E&T
102/01-03-028-21W4/00	D, C, E&T	-	200% penalty in E&T
100/16-10-025-22W4/00	D, C, E&T	-	200% penalty in E&T
TOTAL		386,198.76	22,736,178.60

5. **Carseland Plant - 6-21-022-25W4M**

In February 2016, Manitok acquired Ember Resource's 100% working interest in the 6-21 Carseland gas plant along with some key infrastructure. It was a critical piece of business for Manitok, as Manitok was able to significantly improve its economics resulting in the drilling of the 6 (100%) Carseland wells. Prior to the acquisition, the plant's production was capped at approximately 600 boed. After the acquisition and some modifications Manitok has been producing approximately 1650 boed. The total capital spent by Manitok to acquire the plant and make the modifications is approximately \$6.3MM.

6. **2017 - Drilling and Completion Operations**

Manitok is not in a position today to provide a firm 2017 drilling program. While we anticipate drilling one Foothills well in 2017 the final drilling program will not be confirmed until Q2/Q3 2017 after Manitok establishes its capital program. Manitok will update Freehold Royalties at that time.

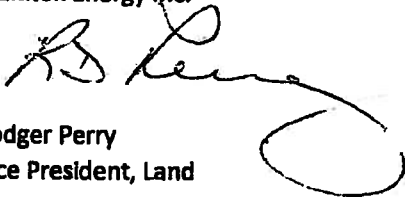
7. On a final note, ManitoK would appreciate Freehold Royalties approval of the following:

- a) With reference to Article 4.2 a., ManitoK requests Freehold Royalties approval to include the Plant acquisition and modifications cost to the Capital Commitment Amount. The drilling of the 6 wells and resultant production would not have been possible without the plant acquisition. The plant was a sizeable capital outlay that significantly improved the economics of the 2016 drilling program as well as for future drilling locations.**
- b) ManitoK respectfully requests Freehold Royalties approval to allow re-entry wells in the Stolberg area to qualify as Commitment Wells. ManitoK continues to look at all options in order to further its development and exploration objectives in this area.**

I would be happy to address any questions you may have regarding the foregoing.

**Yours very truly,
ManitoK Energy Inc.**

**Rodger Perry
Vice President, Land**

A handwritten signature in black ink, appearing to read "R. Perry", with a large, stylized circular flourish at the end.

Michael Stone

From: Kristin Rennie
Sent: Tuesday, May 30, 2017 11:24 AM
To: Michael Stone; Frank Turner
Cc: Matt Donohue; E-ManagementGroup; Susan Nagy; Debbie Bosnak
Subject: RE: FYI

Thanks Michael, I've called Rodger Perry over there already and left a voicemail.

This reduces gross acreage under our backstop land at Entice and Wayne (Carsland) and adds an incremental 4% GORR onto the Stolberg undeveloped land future production.

The backstop acreage at Entice/Wayne will not impact our deal as they have sufficient backstop production currently to cover our GORR if Stolberg fails. The new GORR on undev at Stolberg impacts the economics of future drills – we may want to update the last sensitivity we ran if new drilling has occurred.

We will need to update the base lands on our side with their new land schedules, but will not see conveyancing as they are expiries/surrenders, not assignments.

Thank you,
Kristin
403-663-2595

From: Michael Stone
Sent: Tuesday, May 30, 2017 11:20 AM
To: Frank Turner <FTerner@RIFE.COM>
Cc: Matt Donohue <MDonohue@RIFE.COM>; E-ManagementGroup <E-ManagementGroup@RIFE.COM>; Kristin Rennie <KRennie@RIFE.COM>; Susan Nagy <Snagy@rife.com>; Debbie Bosnak <DBosnak@RIFE.COM>
Subject: RE: FYI

Frank please look into this including contacting the Manitoak landman. Last I knew it is Rodger Perry who reported to me a million years ago when we were at Amoco. He was consulting at Manitoak when Susan and I did the deal. Susan and Krissy chime in if you have any thoughts. Debbie please have the area Contracts Landman confirm that we have not seen any conveyancing from Manitoak with respect to the subject Royalty Agreement. If so please advise the addressees and ccs.

Cheers,
Michael

From: Tom Mullane
Sent: Tuesday, May 30, 2017 9:43 AM
To: E-ManagementGroup
Cc: Matt Donohue
Subject: FW: FYI

Does this affect our deal?

From: Matt Donohue
Sent: Tuesday, May 30, 2017 9:35 AM
To: Tom Mullane
Subject: FYI

Manitok Energy Inc. Announces Amended Terms for the Lease Issuance and Drilling Commitment Agreement

CALGARY, ALBERTA--(Marketwired - May 24, 2017) -

THIS PRESS RELEASE IS NOT FOR PUBLICATION OR DISSEMINATION IN THE UNITED STATES. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAW.

Manitok Energy Inc. (the "**Corporation**" or "**Manitok**") (TSX VENTURE:MEI) is pleased to announce amended terms of its Lease Issuance and Drilling Commitment Agreement (the "**Agreement**") with an Alberta based royalty company (the "**Company**").

Summary of the key terms of the revised Agreement are as follows:

In the amended Agreement, Manitok has agreed to:

- the early surrender of approximately 148,000 acres of undeveloped leased lands located mostly in the northern end of the Entice block in Manitok's Beiseker and Strathmore areas and the payment of cash consideration of approximately \$1,998,520, with \$350,000 having been paid immediately on the execution of Agreement and the remainder to be paid by Manitok following the completion of its previously announced plan of arrangement with Craft Oil Ltd. which is anticipated to be closed on or about June 6, 2017 (the "**Arrangement**");
- assign its existing gross overriding royalty ("**GORR**") on Section 28-41-07 W5M at Willesden Green, Alberta, grant a 4% GORR on its working interests on developed and undeveloped lands at Willesden Green, Alberta and grant a 4% GORR on its working interest on undeveloped lands at Stolberg, Alberta, and related tax pools; and
- convey its proprietary interest in various 2D and 3D seismic data sets and related tax pools while obtaining a concurrent 15 year seismic data licence to such 2D and 3D seismic data.

In the amended Agreement, the Company has agreed to:

- adjust the remaining drilling and completion expenditure commitment from \$56.0 million to \$24.0 million, with \$8 million required by December 31, 2017 and the remainder by August 31, 2018;
- conditional upon closing of the Arrangement, extend the primary term on 1,554 hectares (3,885 acres) of undeveloped land at Wayne, Alberta that were previously due to expire on June 15, 2017; the renewed primary term will extend these leases for an additional three (3) years; and
- adjust the Agreement terms to provide Manitok with the option to extend the primary term associated with all undeveloped leased lands within the Agreement (expiring on April 30, 2018) for an additional thirty-two (32) months to December 31, 2020 at \$600/hectare with no capital commitment in the future, versus the previous \$400/hectare plus future capital commitment.

The land under the Agreement held by Manitok has become its core area of operation. The Corporation has taken the production in the Entice area from zero to a peak of approximately 3,200 boe/d in December 2016, during the early development phase of its operations. Currently Manitok has identified a development drilling inventory of approximately 56 Lithic Glauconitic oil horizontal locations and approximately 46 Basal Quartz oil horizontal locations on the Carseland and Wayne area lands continued to be held under the Agreement in this area. The amended terms of the Agreement will enable the Corporation to continue to develop this prolific core area in a financially stable manner.

About Manitok

Manitok is a public oil and gas exploration and development company focused on Lithic Glauconitic light oil in southeast Alberta and Cardium light oil in west central Alberta. The Corporation utilizes its expertise, combined with the latest recovery techniques, to develop the remaining oil and liquids-rich natural gas pools in its core areas of the Western Canadian Sedimentary Basin.

For further information on Manitok view Manitok's website at www.manitokenergy.com.

Barrels of Oil Equivalent

*The term barrels of oil equivalent ("**boe**") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.*

Forward-looking Information Cautionary Statement

This press release contains forward-looking statements. More particularly, this press release contains statements concerning the timing and completion of the Arrangement, management estimated development drilling inventory and the potential outcome of the amended terms of the Agreement to Manitok's future operations.

The forward-looking statements in this press release are based on certain key expectations and assumptions made by Manitok, including expectations and assumptions concerning the prevailing market conditions, the intentions of its lenders, commodity prices, and the availability of capital.

Although Manitok believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Manitok can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with adverse market conditions, the inability of Manitok to complete the Arrangement at all or on the terms announced, not obtaining the required court, shareholder and regulatory approvals for the Arrangement, a lender not approving the amendment to a credit facility and the risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions, general business, economic, competitive, political and social uncertainties, capital market conditions and market prices for securities and changes to existing laws and regulations. More information about certain of these risks are set out in the documents filed from time to time with the Canadian securities regulatory authorities, available on Manitok's SEDAR profiles at www.sedar.com.

Forward-looking statements are based on estimates and opinions of management of Manitok at the time the statements are presented. Manitok may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but Manitok undertake no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Manitok Energy Inc.
Massimo M. Geremia
President & Chief Executive Officer
403-984-1751
mass@manitok.com
www.manitokenergy.com

Source: Marketwired (May 24, 2017 07:30:01 EDT)

News by QuoteMedia
www.quotemedia.com

Michael Stone

From: Frank Turner
Sent: Wednesday, August 02, 2017 11:16 AM
To: Michael Stone; E-ManagementGroup
Cc: David Creig
Subject: Manitok - Corporate & Drilling Plans

Hi Michael, you had asked me to follow up on Manitok with regard to their drilling plans. I spoke with Rodger Perry (VP Land) this morning who provided the following:

- Manitok is currently focused on closing a private equity arrangement to do with the announcement of their previously announced strategic combination with Questfire.
- At the moment Manitok has no current active drilling plans however once the previous transaction is closed, they plan to discuss the drilling of potentially 4 to 5 unspecified wells prior to year-end.

Rodger and I plan to meet for lunch in a few weeks to follow up on this discussion, and see if there are any further clarity that he might provide with regard to Manitok's drilling plans.

Frank Turner, P. Land

Manager, Land Value
Preservation & Compliance

Rife Resources Ltd.

400, 144 – 4 Avenue SW
Calgary, AB T2P 3N4

t. 403.221.0818
f. 403.221.0875
e. fterner@rife.com
w. rife.com

Rife manages:

Freehold Royalties Ltd., Freehold Royalties Partnership, and Canpar Holdings Ltd.

APPENDIX D

Freehold Correspondence dated April 3, 2018



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
855 - 2nd Street S.W.
Suite 3500, Bankers Hall East Tower
Calgary AB T2P 4J8 Canada
Tel: 403-260-9600 Fax: 403-260-9700

April 3, 2018

VIA E-MAIL
treid@alvarezandmarsal.com

Ryan Zahara
Dir: 403-260-9628
ryan.zahara@blakes.com

Reference: 89015/22

Attention:

Tim Reid, Managing Director
Alvarez & Marsal Canada ULC
Bow Valley Square 4
Suite 1110, 250 - 6th Avenue SW
Calgary, Alberta, T2P 3H7

RE: Freehold Royalties Partnership and Manitok Energy Inc. – Right to Take In Kind Producing Royalty

Dear Sir:

We are writing further to our meeting (the "**Meeting**") on Tuesday, March 27, 2018.

At the Meeting you advised that Alvarez & Marsal Canada ULC, in its capacity as the court-appointed receiver and manager (the "**Receiver**") of Manitok Energy Inc. ("**Manitok**") had revoked the take-in-kind right (the "**TIK**") of Freehold Royalties Partnership ("**Freehold**") under a Production Volume Royalty Agreement dated June 11, 2015 (the "**PVRA**") between Freehold and Manitok. Capitalized terms not otherwise defined herein shall have the meaning given to them in the PVRA.

The Receiver provided no legal basis for its unilateral revocation of the TIK and did not advise that it would be immediately paying the proceeds (the "**Proceeds**") received from the sale of the Oil Volumes associated with the Producing Royalty to Freehold.

The PVRA clearly states that the Producing Royalty is an interest in land and is the property of Freehold. In the PVRA, Manitok also agreed that it is estopped from taking any action to dispute, challenge or contest in any manner whatsoever that the Producing Royalty is an interest in land and that it runs with the Royalty Lands. It is clear from the terms of the PVRA that the Receiver has no interest in the Producing Royalty.

Further, Manitok (and hence the Receiver) has no ability to determine whether Freehold will receive the Producing Royalty in kind or receive the proceeds from the sale of the Oil Volumes associated with the Producing Royalty. Under the terms of the PVRA, this election can only be made by Freehold and Freehold has elected to receive its Production Royalty in kind since September 2017. The purported revocation of the TIK by the Receiver is a clear breach of the PVRA.

31333891.4



As the Producing Royalty and any of the Oil Volumes associated with it are not the property of Manitok, the Receiver does not have the authority to revoke the TIK or withhold the payment of the Proceeds from Freehold. The revocation of the TIK by the Receiver and the withholding of the Proceeds is an expropriation of Freehold's property.

Freehold hereby demands that the Receiver immediately reverse the revocation of the TIK for all production months going forward and immediately pay to Freehold any Proceeds (or any Oil Volumes that have not yet been sold) that it received since the TIK was improperly terminated. These Proceeds do not form part of the receivership estate, cannot be used by the Receiver and cannot be the subject of any priority claim under the terms of the receivership order granted on February 20, 2018.

If the Receiver does not confirm it has taken such steps by April 6, 2018 at 12:00 p.m., Freehold will immediately bring an application (the "**Application**") to the Court of Queen's Bench of Alberta for a declaration that the Producing Royalty is an interest in land, is the property of Freehold and that Freehold is entitled to TIK all Oil Volumes associated with the Producing Royalty. If Freehold is required to bring the Application it will also seek costs on a solicitor-client basis from the Receiver.

If the Receiver is prepared to immediately reverse the revocation of the TIK and pay the Proceeds of the Oil Volumes associated with the Producing Royalty received since the TIK was improperly terminated to Freehold, then Freehold may consider further discussions with the Receiver regarding the Producing Royalty and Freehold's proprietary interest in the Royalty Lands.

Yours truly,

Ryan Zahara
CHNG

c: Howard Gorman (Norton Rose Fulbright LLP)
Aaron Stephenson (Norton Rose Fulbright LLP)
Client