

**Memorandum of Understanding with Squatex and Petrolympic
Plain language Summary**

**LMG Council
August 16, 2016**

- A memorandum of understanding (MOU) is a nonbinding agreement between two or more parties outlining the terms and details of an understanding, including each parties' requirements and responsibilities. An MOU is often the first stage in the formation of a formal contract.
- Squatex Energy Resources Inc. and Petrolympic Ltd. are two separate oil and gas companies that have leases in Gaspésie and Bas St-Laurent. They are working together to develop and operate these leases. They are not merging together and they are remaining separate entities but are working in a joint venture (SPJV).
- The Mi'gmaq through the Mi'gmawei Mawiomi Resources Limited Partnership (MMR LP) is entering into a Memorandum of Understanding (MOU) with SPJV in regards to the exploring and exploiting the oil and gas resources in Gespe'gewa'gi.
- The terms of this agreement include the following components:
 - MMR LP will receive a 5% carried interest. This means that MMR LP will receive 5% of profits after costs from each well in Mi'gmaq territory. It is not 5% share of the companies or ownership.
 - Thus SPJV agrees to pay MMR LP 5% of their net revenue from each well after they have deducted their expenses, which include but are not limited to rents, royalties, and administrative costs.
 - SPJV also agrees to pay MMR LP 5% of any other revenue raised on the leases that are related to the territory's natural resources.
 - MMR LP will not be responsible for any costs related to exploration, development and completion.
- We get working interest, but we don't invest cash. If the company makes profit off the well, we get 5%, if it goes in the hole, we get zero. We are not liable for any investments that go into the negative. If any of the wells' revenue were to be negative the shortfall will deducted from future payments to MMR LP.

- Should Canada or Quebec law legally entitle the Mi'gmaq a royalty, or carried interest, or any other form of payment then the 5% payments from SPJV to MMR LP will be reduced by that amount to avoid double payment.
- SPJV will have full control over operations.
- Should Quebec decide to share a portion of their royalties with the Mi'gmaq it will not affect the 5% payments between SPJV and MMR LP.
- The Mi'gmaq have the right of first refusal should SPJV decide to farm out (subcontract) operations.
- SPJV agrees to hire as many Mi'gmaq as possible. Mi'gmaq will be considered favourably when bidding for procedures.
- MMR LP will be allowed to monitor SPJV's compliance with environmental regulations.
- Any revenue from wells that are in areas with multiple claims (Mi'gmaq, Maliseet and Metis) will be placed in escrow, custody of a third party, until the claim situation is resolved.
- Prior to any of the wells entering commercial development (commercial production) the SPJV and MMR LP will create and enter a detailed agreement that sets out the terms, conditions and processes necessary to implement this MOU.
- There is a Non-Disclosure agreement that stops SPJV from acknowledging or commenting on the content of this MOU without the written consent of the Mi'gmawei Mawiomi.
- Before transferring any rights or leases to another party SPJV will confirm with the MMR LP that this other party has agreed to the of the Master Agreement.
- This agreement does not hinder any aboriginal or treaty rights and title to Gespe'gewa'gi for the Mi'gmaq.