

## ROYALTY AGREEMENT

THIS AGREEMENT is made as of the 1<sup>st</sup> day of October, 2018,

BETWEEN:

**ARTHUR HALLERAN**, a businessman residing in Fort St. James, BC,  
Canada, (hereinafter referred to as "Halleran")

- and -

**PARK PLACE ENERGY (BERMUDA) LTD.**, a body corporate,  
incorporated pursuant to the laws of Bermuda,

- and -

**PARK PLACE ENERGY CORP.**, a body corporate, incorporated  
pursuant to the laws of Nevada (hereinafter together with Park Place  
Energy (Bermuda) Ltd., the "Grantor")

WHEREAS for valuable consideration given by Royalty Owner, including providing consulting, technical and corporate advice services in support of Grantor's oil and gas acquisitions, Grantor has agreed to grant the gross overriding royalty to Royalty Owner and Royalty Owner has agreed to accept the gross overriding royalty from Grantor, on the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained and for other goods and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, subject to the terms and conditions hereinafter set forth, the parties agree as follows:

### 1. DEFINITIONS

In this Royalty Agreement including the recitals and this Clause, unless the context otherwise requires, the following terms shall have the meanings hereinafter assigned thereto, namely:

- (a) Affiliate means, with respect to the relationship between corporations, that one of them is controlled by the other or both of them are controlled by the same person, corporation or body politic; and for this purpose a corporation shall be deemed controlled by those persons, corporations or bodies politic who own or effectively control, other than by way of security only, sufficient voting shares of the corporation (whether directly through the ownership of shares of the corporation or indirectly through the ownership of shares of another corporation which owns shares of the corporation) to elect the majority of its board of directors.

- (b) Crude Oil means a mixture mainly of pentanes and heavier hydrocarbons (whether or not contaminated with sulphur compounds) that is recovered or recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated and includes all other hydrocarbon mixtures so recovered except Natural Gas and condensate.
- (c) Current Market Value means the price received by the Grantor at the Point of Measurement for its share of Petroleum Substances produced and marketed from, or pursuant to a scheme of pooling or unitization allocated to, the Royalty Lands which price shall not be less than that which the Grantor would have received at the point of sale in an arm's length transaction if acting as a reasonably prudent operator having regard to the current market prices, availability to market and economic conditions of the petroleum industry generally.
- (d) Grantor means Park Place Energy (Bermuda) Ltd. and Park Place Energy Corp.
- (e) Land Schedule means Schedule "A" to this Royalty Agreement.
- (f) Leases means the leases, licenses, permits and similar documents of title by virtue of which the holder thereof is entitled to drill for, win, take, own or remove Petroleum Substances within, upon or under the Royalty Lands and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefor including without limitation those, if any, described in the Land Schedule.
- (g) Natural Gas means raw gas or marketable gas as the context so requires.
- (h) Overriding Royalty means that interest in a portion of the Petroleum Substances within, upon, under or attributed to the Royalty Lands that is reserved by or granted to the Royalty Owner and payable in accordance with Clause 2 of this Royalty Agreement.
- (i) Petroleum and Natural Gas Rights means the interests of Royalty Owner in the Leases to the extent they pertain to the lands which are attributed to Royalty Owner in the Land Schedule, only in so far as the interests of the Royalty Owner related to Petroleum Substances from the surface to the base of the formation.
- (j) Petroleum Substances means Crude Oil, petroleum, Natural Gas, natural gas liquids, coal bed methane and other related hydrocarbons (except coal) and any and all other substances (including sulphur), whether liquid, solid or gaseous and whether hydrocarbons or not, produced in association therewith, to the extent the rights to which are granted pursuant to the Leases.
- (k) Point of Measurement means the point of sale in the case of all Petroleum Substances.
- (l) Regulations means all statutes, laws, rules, orders and regulations in effect from time to time and made by governments or governmental boards or agencies having jurisdiction over the Royalty Lands and over the operations to be conducted thereon.
- (m) Royalty Agreement means this royalty agreement between Arthur Halleran, Park Place Energy Corp. and Park Place Energy (Bermuda) Ltd., including the recitals and schedules hereto;

- (n) Royalty Lands mean the Petroleum Substances within, upon or under the lands set forth in the Land Schedule, subject to the restrictions and exclusions set forth thereon as to Petroleum Substances and geological formations.
- (o) Royalty Owner means Arthur Halleran.
- (p) Title and Operating Documents means, to the extent directly related to the Petroleum and Natural Gas Rights, (i) the Leases; (ii) unit agreements, assignments, trust declarations, operating agreements, royalty agreements, overriding royalty agreements, gross overriding agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements, common stream agreements, easements, surface leases and pipeline crossing agreements; (iii) agreements for the sale, processing and transportation of Petroleum Substances; (iv) agreements for construction, ownership and operation of gas plants, gas gathering systems and other facilities; (v) permits, licenses and approvals and (vi) other agreements which relate to the Petroleum and Natural Gas Rights or the ownership, operation or exploitation thereof.

## 2. OVERRIDING ROYALTY

### A. Quantification Of Overriding Royalty

The Grantor hereby grants to the Royalty Owner the Overriding Royalty, which shall comprise an interest in the Petroleum Substances within, upon and under the Royalty Lands. The gross volume of Petroleum Substances comprising the Overriding Royalty shall be quantified as follows:

- (a) for Crude Oil: one half percent (0.50%) of the gross monthly production of Crude Oil produced from each well on the Royalty Lands classified by the appropriate regulatory authority as an oil well (excluding basic sediment and water); and
- (b) for all other Petroleum Substances: one half percent (0.50%) of the gross monthly production thereof produced from each well on the Royalty Lands.

For the purpose of determining the Overriding Royalty payable to the Royalty Owner, the percentages in paragraphs (a) and (b) of this Clause, as the case may be, shall be multiplied by the percentage working interest in the Royalty Lands.

The Grantor hereby charges its interest in the Royalty Lands and the Leases with payment of the Overriding Royalty, which shall be a covenant running with and binding the Grantor's interest in the Royalty Lands and the Leases.

### B. Petroleum Substances Used For Operations

Petroleum Substances that the Grantor may reasonably consider to be necessary for the Grantor's operations on the Royalty Lands for the production, treating, processing and storing of Petroleum Substances shall be exempt from the payment of the Overriding Royalty. Any Overriding Royalty exemption as aforesaid shall be restricted to that portion of production used as fuel for heaters, treaters, compressors, separators, instruments and similar equipment required to produce Petroleum Substances. The Petroleum Substances so used may be deducted from gross monthly production by the Grantor in quantifying the Overriding Royalty payable to the Royalty Owner under the preceding Subclause. The Grantor shall not be granted any Overriding Royalty exemption from the production of Petroleum

Substances used for reservoir injection or pressure maintenance, secondary and heavy oil recovery or upgrading schemes, or fuel and/or feedstock for any gas plant, refinery, satellite or multi-well battery.

3. **OVERRIDING ROYALTY NOT TAKEN IN KIND**

A. **Payments Made to Royalty Owner Monthly**

When and to the extent that the Royalty Owner is not taking its share of Petroleum Substances in kind, every sale of Petroleum Substances produced from the Royalty Lands by the Grantor shall include the Royalty Owner's Overriding Royalty share thereof. The Grantor shall remit to the Royalty Owner all monies accruing to the Royalty Owner on account of the Overriding Royalty on or before the twenty-fifth (25th) working day following the calendar month next following the calendar month in which such Petroleum Substances were sold.

B. **Monthly Statements Provided to Royalty Owner**

The Grantor shall enclose with each monthly payment to the Royalty Owner the following information:

- (a) a statement showing the quantity and kind of the Petroleum Substances produced, saved and sold from the Royalty Lands in the immediately preceding calendar month and the Current Market Value thereof, together with a calculation of the Overriding Royalty for such immediately preceding calendar month; and
- (b) if requested, a copy of the Grantor's governmental production statement for the month for which the Overriding Royalty is calculated and, with respect to governmental leases, a copy of the governmental royalty statement. Any information contained in such governmental production statement need not be repeated in the Grantor's statement to the Royalty Owner.

C. **Permitted Deductions**

To the extent that the Royalty Owner does not take its Overriding Royalty share of Petroleum Substances in kind, as hereinafter provided, the Overriding Royalty shall be paid on the Current Market Value of the Petroleum Substances without any deductions whatsoever.

D. **Petroleum Substances Sold at Less Than Current Market Value**

If any Petroleum Substances are sold at less than Current Market Value in any transactions (including those transactions which are not at arm's length or any transactions involving any arrangement from which the Grantor obtains a collateral advantage in consideration of the reduced price), the gross proceeds of the sale of such Petroleum Substances shall, for the purposes of calculating the Overriding Royalty share thereof, not be less than the Current Market Value of those Petroleum Substances when produced from the Royalty Lands.

4. **RIGHT TO AUDIT**

A. **Examination Of Records**

The Royalty Owner shall have the right to audit the records of the Grantor insofar as they relate to any matter or items required to determine the accuracy of any statements or payments with respect to the Overriding Royalty. The books, records, vouchers and accounts maintained by the Grantor shall be

open to inspection at all reasonable times during business hours by an officer, agent, employee or other person appointed or authorized by the Royalty Owner, in writing, to examine the same.

**B. Discrepancies**

Any payment made or statement rendered by the Grantor hereunder which is not disputed by the Royalty Owner on or before the last day of the twenty-sixth (26th) month following the end of the calendar year of the month for which such statement or payment was rendered shall be deemed to have been correct.

**C. Right To View Operations**

The Royalty Owner shall also have the right (which may be exercised through servants or agents) to enter at its sole cost, risk and expense upon the Royalty Lands at all reasonable times to gauge tanks, check the quantities of Petroleum Substances in storage, witness tests and otherwise view operations on the Royalty Lands.

**5. RATEABLE PRODUCTION**

The Grantor shall, subject to the Clause entitled "Overriding Royalty Taken In Kind", make every reasonable endeavour within its legal authority to market any of the Petroleum Substances produced or capable of being produced from the Royalty Lands rateably with any other similar substances produced from any lands within the same pool in which the Grantor or any Affiliate has an interest and further the Grantor covenants that it will not discriminate against the Petroleum Substances produced or capable of being produced from the Royalty Lands in the production and marketing of the same.

**6. RIGHT TO COMMINGLE**

The Grantor shall have the right to commingle Petroleum Substances produced from the Royalty Lands with Petroleum Substances produced from other lands, provided methods acceptable to the Royalty Owner are used to determine the proper measurement of individual well production. Where governmental regulations or orders require segregated production tests of individual wells at intervals not greater than two months, such tests will be deemed acceptable to the Royalty Owner under this Clause and no further tests will be required.

**7. ASSIGNMENT**

**A. Assignment**

Either Grantor or Royalty Owner shall assign, mortgage, sell, pledge, charge, grant a security interest in or otherwise encumber or dispose of its interest in this Agreement upon prior notice to the other party of its intention to do so.

**B. Nomination Of Assignee**

If the Royalty Owner transfers, assigns or otherwise disposes of any part of its interest hereunder to more than one party, it shall ensure that one of the parties to whom such disposition is made shall be nominated to receive the payment of the Overriding Royalty on behalf of all such parties and until written notice of such nomination is received by the Grantor, the Grantor shall be entitled to continue to make payments of the Overriding Royalty to the Royalty Owner.

C. **Assignment by Grantor**

If the Grantor disposes, in any manner whatsoever, of its interest in this Royalty Agreement, the Royalty Lands, the Leases or any portion or portions thereof, it shall at all times continue to be bound by the provisions of this Royalty Agreement as if there had been no assignment, until such time as the Royalty Owner shall have been served with a document reflecting the assignment. Such assignment document shall be accompanied by a written undertaking by the Assignee, directly enforceable by the Royalty Owner, to perform and be bound thereafter by all of the provisions of this Royalty Agreement to the same extent and degree, with respect to the interest which has been assigned to it, as it would have been had it been a party to this Royalty Agreement in the place of the Grantor.

8. **LIABILITY AND INDEMNITY**

A. **Grantor's Responsibility**

The Grantor shall:

- (a) be liable to the Royalty Owner for all losses, costs, damages and expenses whatsoever (whether contractual or tortious) which the Royalty Owner may suffer, sustain, pay or incur; and
- (b) in addition, indemnify and hold harmless the Royalty Owner and its directors, officers, agents and employees against all actions, causes of action, proceedings, claims, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by the Royalty Owner, its directors, officers, agents and employees or which they may sustain, pay or incur;

insofar as they are either a direct result of or directly attributable to any deliberate act or omission (but excluding negligent acts or omissions) of the Grantor with respect to operations or activities conducted by it or on behalf of it. However, this obligation will not apply to the extent that the particular act or omission was done or omitted to be done in accordance with the prior written instructions or consent of the Royalty Owner or the Grantor acting reasonably. Notwithstanding the forgoing, the Royalty Payer shall not be liable for any neglect or failure to conduct exploration activities on the Royalty Lands, find or develop any Petroleum Substances on the Royalty Lands.

9. **CONFIDENTIAL INFORMATION**

A. **Confidentiality Requirement**

Except as provided herein, all data and information of any nature acquired by the parties from any operations pursuant to this Royalty Agreement, or supplied by one party to the other pursuant hereto, shall be for the sole and exclusive use and benefit of the parties hereto unless the parties agree to the dissemination of such information or unless a party hereto is required to give such information to any governmental department, body or agency, or any recognized association within the petroleum industry, of which it is a member, that engages in the exchange of factual information relating to the type of operations contemplated by this Royalty Agreement. In no event shall information of any type or character relating to wells drilled on a confidential basis to the parties be disclosed

B. **Disclosure To Affiliates**

The provisions of this Clause shall not apply to disclosures to Affiliates provided that such Affiliates agree to be bound by the terms of this Clause.

10. **LIEN**

A. **Royalty Owner's Lien**

The Royalty Owner shall be entitled to and shall have a first and paramount lien upon the Grantor's share of all Petroleum Substances from time to time produced from the Royalty Lands to secure the payment of the Overriding Royalty. Such lien shall not operate to release the Grantor from personal liability for monies due to the Royalty Owner. Such lien shall not attach to the Grantor's share of Petroleum Substances sold or otherwise disposed of from the Royalty Lands, but immediately upon default occurring in payment by the Grantor of monies payable to the Royalty Owner such lien shall operate as an assignment to the Royalty Owner of the consideration thereafter payable to the Royalty Owner for the Petroleum Substances sold, up to the amount owed to the Royalty Owner and not so paid by the Grantor.

B. **Service of Agreement to Constitute Authority**

Service of a copy of this agreement upon any purchaser of Petroleum Substances together with written notice from the Royalty Owner shall constitute written authorization on the part of the Grantor for such purchaser to pay the Royalty Owner the proceeds from any sale or sales of the Grantor's share of Petroleum Substances, up to the amount owed to the Royalty Owner by the Grantor, and such purchaser is authorized to rely solely upon the statement of the Royalty Owner as to the amount owed to the Royalty Owner by the Grantor.

C. **Proof Of Default**

The books and records kept by the Royalty Owner shall constitute written proof of the existence of such default, although no purchaser shall be obliged to examine the same before acting upon such notice of default.

11. **WELL INFORMATION**

A. **Information To Royalty Owner**

The Grantor shall, with respect to each well drilled or being drilled (or reworked, deepened or plugged back) on the Royalty Lands upon request, provide the Royalty Owner promptly with all information relative to mud samples and drill stem test fluid samples, copies of all drill stem tests and service reports thereon, copies of pressure charts and copies of all logs run in the well, together with a copy of the completion report including the details and results of all production tests carried out with respect to the well.

B. **Suspension Of Information**

The provisions of the preceding Subclause shall not apply where the Grantor is drilling a well to obtain information to assist it in bidding for lands posted for sale by any governmental authority. In such case, it shall not be necessary to deliver the information to the Royalty Owner until fourteen (14) days after the sale has been held.

12. **NOTICES**

A. **Service of Notices**

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by electronic mail, or sent by registered mail, charges prepaid, addressed in the case of notice to Grantor or Royalty Owner, as the case may be, as follows:

The Grantor:

Park Place Energy (Bermuda) Ltd.  
**C/O MacDonald Tuskey**  
409 - 221 W. Esplanade,  
North Vancouver BC V7M 3J3  
(Direct: 604.973.0580  
(General: 604.973.0579  
Attention: **Bill Macdonald**  
Fax: [•]  
E-mail: **WMacdonald@wlmlaw.ca**

Park Place Energy Corp.  
**C/O MacDonald Tuskey**  
409 - 221 W. Esplanade,  
North Vancouver BC V7M 3J3  
(Direct: 604.973.0580  
(General: 604.973.0579  
Attention: **Bill Macdonald**  
Fax: [•]  
E-mail: **WMacdonald@wlmlaw.ca**

And with copy to:

The Royalty Owner:

Arthur Halleran  
PO Box 1476  
Fort St. James, BC, Canada, V0J 1P0  
Attention: **Arthur Halleran**  
Fax: [•]  
E-mail: [Arthur.halleran@yahoo.ca](mailto:Arthur.halleran@yahoo.ca)

Any such notice or other communication shall be in writing and shall be deemed to have been received immediately if delivered in person or upon receipt of an email confirming receipt from the recipient (or the next business day if not received during regular business hours) or delivered in five (5) business days if delivered by mail to the addresses for service provided above. Either Party may at any time change its address for service from time to time by giving notice to the other Party in accordance with this Section.

13. **MISCELLANEOUS**

A. **Development of Lands**

Nothing in this Royalty Agreement is to be construed as an express or implied covenant by the Grantor to develop or conduct exploration on the Royalty Lands.

Nothing in this Royalty Agreement prevents Grantor from entering into any operating agreements, participation agreements, farm-in or farm-out agreements, sale, pooling agreements, surface leases,



with any third party relating to the exploration or development of Petroleum Substances within the Royalty Lands.

**B. Parties To Do All Further Acts**

The parties hereto shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order fully to perform and carry out the terms of this Royalty Agreement.

**C. No Waiver Except In Writing**

No waiver by any party hereto of any breach of any of the covenants, conditions or provisos herein contained shall be effective or be binding upon another party unless the same be expressed in writing, and any waiver so expressed shall not limit or affect its right with respect to any other or future breach.

**D. Time Of Essence**

Time is of the essence of this Royalty Agreement.

**E. Royalty Runs With Lands**

The obligation of the Grantor to pay the Overriding Royalty shall be a covenant running with the Royalty Lands during the term of this Royalty Agreement.

**F. Headings**

The headings of the Clauses of this Royalty Agreement are inserted for convenience of reference only and shall not affect the construction or interpretation of this Royalty Agreement.

**G. Conflicts**

Wherever any term or condition of this Royalty Agreement conflicts or is at variance with any term or condition of the Agreement, the provisions of the Agreement shall prevail.

**H. Governing Law**

The Agreement shall be construed and the relations between the parties determined in accordance with the laws of the Province of British Columbia and the federal laws applicable therein, excluding any conflict of laws provision that would cause or permit the application of the laws of any other jurisdiction. The parties attorn to the exclusive jurisdiction of the courts of the Province of with respect to all matters relating to or arising out of this Agreement.

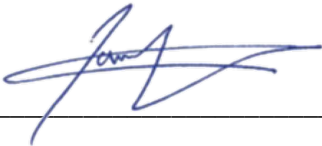
**14. COUNTERPART EXECUTION**

This Agreement may be executed in counterpart and all executed counterparts together all constitute one agreement.

**[Remainder of page intentionally left blank]**

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the day and year first above written.


**PARK PLACE ENERGY (BERMUDA)  
LTD.**

Per:  \_\_\_\_\_

**PARK PLACE ENERGY CORP.**

Per:  \_\_\_\_\_

**ARTHUR HALLERAN**

Per:  \_\_\_\_\_

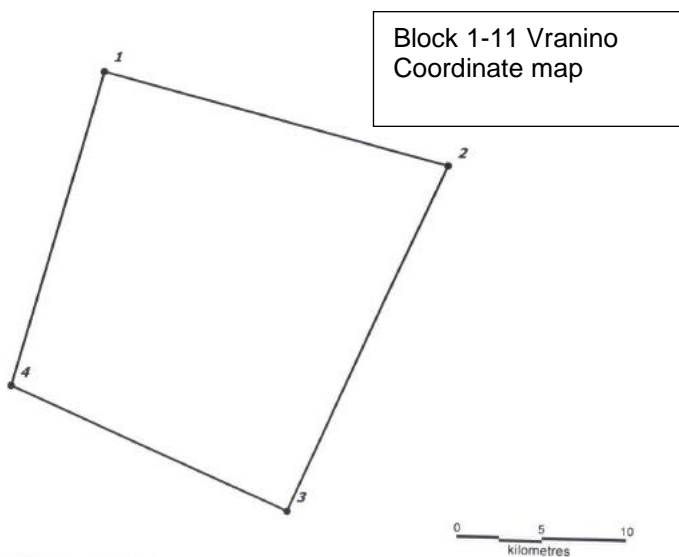
SCHEDULE "A" TO A ROYALTY AGREEMENT DATED 18<sup>TH</sup> DAY OF SEPTEMBER BETWEEN AURA OIL HOLDINGS LTD., PARK PLACE ENERGY CORP. AND PARK PLACE ENERGY (BERMUDA) LTD.

**LAND SCHEDULE**

Bulgaria Exploration Block: Crude oil and natural gas prospecting and exploration Block 1-11 Vranino situated in Dobrich District, Bulgaria.

Приложение А

ПЛОЩ ЗА ТЪРСЕНЕ И ПРОУЧВАНЕ НА НЕФТ И ПРИРОДЕН ГАЗ  
"БЛОК 1-11 ВРАНИНО"



СПИСЪК С КООРДИНАТИ НА ТОЧКИТЕ, ОПИСВАЩИ  
ПЛОЩ ЗА ТЪРСЕНЕ И ПРОУЧВАНЕ НА НЕФТ И  
ПРИРОДЕН ГАЗ "Блок 1-11 Вранино"

Географски координати, координатна система 1950 г.

No	Географска ширина	Географска дължина
1	43°39'42.190"	28°14'59.825"
2	43°36'49.199"	28°30'00.834"
3	43°25'54.191"	28°23'09.845"
4	43°29'46.184"	28°11'05.835"
5	43°39'42.190"	28°14'59.825"

Turkey Exploration Block in the Province of Hakkari Yuksekova semdiali Derecik

Licence	Area in hectares
AR/PPE/K/N52-c1, N52-c3, N52-c4	34,705
AR/PPE/K/N52-d2, N52-d3	5,805
AR/PPE/K/N53-d4	604
AR/PPE/K/O52-b1	1,718