

Engagement Letter of Intent

This engagement Letter of Intent ("LOI") dated as of Sept. 11th, 2013

Between:

Qalipu Mi'kmaq First Nation Band ("QMFN"), recognized under the *Indian Act* situated at 3 Church Street, Corner Brook, Newfoundland and Labrador A2H 2Z4

AND

Black Spruce Exploration Corp. ("BSE"), a corporation incorporated under the laws of Newfoundland and Labrador and having an office at Suite 705, TD Place, St. John's, NL A1C 6H6

(Together the "Parties")

BACKGROUND:

- A. BSE is planning to explore the Western Newfoundland Oil & Gas sector by exploring for Conventional oil deposits and Shale Oil deposits in the onshore/offshore region of Western Newfoundland from the Bay St. George area north to Daniel's Harbour and around the Deer Lake region (the "Project");
- B. The Project will cross over QMFN's traditional territory, including lands where QMFN members have and continue to engage in traditional practices and assert aboriginal rights;
- C. The Parties wish to foster a positive long-term relationship and establish a mutually beneficial relationship between the Parties based on respect for QMFN's traditional practices, culture, asserted rights and respect for the goals of each Party;
- D. The Parties wish to establish an effective and collaborative engagement process through which the Parties can develop a Partnership Agreement and facilitate opportunities and benefits for QMFN while minimizing negative impacts from the Project, to the extent possible.

IN CONSIDERATION of the mutual promises contained in this Agreement the Parties agree as follows:

1. INTENTIONS OF THE PARTIES

- 1.1. Within the context of this LOI and through further engagement and discussions as outlined herein, QMFN and BSE agree to work during all phases of the Project to:
- a. communicate with each other regarding the Project;
 - b. assist BSE to accomplish its objective of conducting the Project in a timely and cost effective manner;
 - c. seek to provide QMFN members with opportunities to derive direct and indirect benefits of an economic and social nature from the Project while providing BSE with human resources, suppliers and resources during all phases of the Project;
 - d. seek to address both Parties' respective interests in and concerns about all phases of the Project in an efficient, expeditious and environmentally sound manner; and
 - e. Facilitate ongoing, meaningful and respectful relations and engagement between the Parties.

2. PRINCIPLES OF ENGAGEMENT

- 2.1. The Parties will engage in discussions and work towards a Partnership Agreement in good faith with respect, open-mindedness and honesty (the "Engagement Process").
- 2.2. The Parties will each recognize the importance and value of the other party's interests and objectives.
- 2.3. The Parties will use their best efforts to meet the commitments made during the course of their ongoing discussions, including commitments for the timely delivery of drafts, for attending scheduled meetings and for the exchange of information.
- 2.4. The Parties will share information that is necessary for each party to fully understand each other's interests and perspectives and to move the substantive topics forward, subject to legislative obligations and restrictions.

3. ENGAGEMENT TOPICS

- 3.1. Engagement Process: Subject to the terms and conditions set out herein, the Parties agree to establish a timetable and commence discussions toward a Partnership Agreement as soon as reasonably practicable following execution of this LOI.
- 3.2. QMFN's Objectives: BSE acknowledges that QMFN's objectives in the engagement process include, but are not limited to:

- a. to protect QMFN's traditional territory and their asserted aboriginal rights for the continuing benefit of QMFN and its members;
 - b. to participate in the economic benefits of the Project through the creation of employment opportunities for its members and business opportunities for QMFN and/or its member businesses; and
 - c. to reach a Partnership Agreement with BSE and creating opportunities for employment, training, education, business and building capacity for QMFN and its members.
- 3.3. BSE agrees to discuss the foregoing objectives in the Engagement Process, acknowledging the importance of such objectives to QMFN.
- 3.4. Objectives of BSE. QMFN acknowledges that BSE's objectives in the engagement process include, but are not limited to:
- a. to work with BSE to ensure the company has first rate, comprehensive training/safety programs for all employees. As safety and best practices is paramount to both BSE and the QMFN, the QMFN will support BSE by sponsoring qualified QMFN members to attend training at recognized training facilities in order to meet the employment requirements of BSE
 - b. where possible or appropriate, to have QMFN participate in public meetings
- 3.5. QMFN agrees to discuss the foregoing objectives in the Engagement Process, acknowledging the importance of such objectives to BSE.
- 3.6. The Parties agree that discussions during the Engagement Process will include the following topics and related objectives:
- a. Education and Training: To provide ongoing opportunities for QMFN members to become qualified for employment opportunities during all phases of the Project;
 - b. Employment Opportunities: To enable QMFN members to secure employment during all phases of the Project and to reduce barriers to QMFN members' employment on the Project;
 - c. Workplace Conditions: To promote a workplace and working conditions that are safe, healthy and supportive of QMFN members employed by BSE and which are respectful and supportive of their culture;

- d. Business Opportunities: To maximize the benefit from business opportunities associated with all phases of the Project to QMFN and its members;
- e. Environmental Protection, Mitigation, Monitoring and Reporting: To establish and promote measures intended to protect the environment and minimize any adverse environmental effects of the Project, particularly on traditional practices and culture;
- f. Ongoing Communications and Consultation Between the Parties: To set out processes that will guide the ongoing relationship between the Parties including a dispute resolution process; and
- g. Traditional Use Studies: QMFN has extensive experience in mapping and documenting traditional land use. QMFN now has digitized land use maps from all geographical Wards and wishes to continue Traditional Land Use studies and digital mapping projects in areas not yet extensively covered and to cover new members not interviewed in previous studies.
- h. Such other topics as the Parties may agree.

4. INFORMATION SHARING

- 4.1. QMFN will provide BSE with information regarding QMFN and their members to facilitate BSE's understanding of the skills, talents, resources, and other employment and business capacities of QMFN and its members that may be of assistance to BSE in the efficient conduct of the Project in keeping with the rules and regulations around Privacy legislation.
- 4.2. QMFN will use its established Labour Force Database (Ginu) to assist BSE in determining employment and business opportunities for QMFN members and mutual benefits for BSE.
- 4.3. QMFN will provide BSE with information to assist BSE to identify and mitigate impacts of the Project on the QMFN's traditional practices, culture and asserted aboriginal rights.
- 4.4. BSE will provide QMFN with information about its labour requirements and business contracting opportunities.

4.5. BSE will provide QMFN with all relevant information about the Project, including environmental and technical information, to assist QMFN in identifying potential adverse impacts to the environment and to QMFN's traditional practices, culture and asserted aboriginal rights.

4.6. The Parties will each respond to requests for information as soon as is practicable.

5. ENGAGEMENT PROCESS

5.1. The Parties agree to meet at regular intervals and on dates and at locations as may be agreed upon by the Parties to work toward a Partnership Agreement.

5.2. At each meeting, each Party will:

- a. use best efforts to have appropriate representatives attend the meeting as scheduled;
- b. fully and fairly consider the information and position of the other on matters addressed at the meeting.

5.3. In advance of each negotiating session the Parties will develop a mutually agreed upon agenda and each will use their best efforts to have completed their preparatory work on such topics prior to the session.

5.4. Final approval of any Partnership Agreement will be subject to each Party's internal approval processes which for QMFN, may include a Membership ratification process.

6. SUPPORT FOR QMFN'S ENGAGEMENT COSTS

6.1. BSE will contribute funding in the amount of **\$10,000** to QMFN to support QMFN in the Engagement Process.

6.2. QMFN will use the funding contributed by BSE solely for the purposes of this Engagement Process, which may include reasonable fees, expenses and taxes incurred in the course of participating in the Engagement Process.

7. CONFIDENTIALITY

7.1. During the Engagement Process, the Parties may not release any information regarding the Engagement Process to the public, media, any level of government, or any third party not a part of this LOI, except by mutual agreement. Notwithstanding this limitation, the Parties may disclose the fact that the Engagement Process is taking place.

7.2. For greater certainty, QMFN may share information regarding the Engagement Process to its Membership.

7.3. At the conclusion of the Engagement Process, each of the Parties agrees that it will each treat the discussions and information provided to it by the other Party during the Engagement Process as confidential and without prejudice, subject to mutual consent or court order to the contrary. Notwithstanding this limitation, each of the Parties may disclose the fact that the Engagement Process occurred, whether an Agreement was or was not reached, and any communications which were expressly "with prejudice" or public.

8. TERM OF THE PROTOCOL

8.1. This LOI shall come into effect on the date of its execution, and shall continue and remain in force until terminated by either Party on 30 days written notice to the other, or on the completion of the Engagement Process toward a Partnership Agreement as contemplated in this Protocol.

9. GENERAL

9.1. Nothing in this Protocol is intended to define, create, or extinguish any rights of either Party.

9.2. The Parties agree that they shall use their best efforts to complete a Partnership Agreement on or before October 31, 2013.

9.3. This Protocol is intended to be legally binding on the Parties.

This Letter of Intent is hereby agreed to this 11th day of Sept, 2013.

Qalipu Mi'kmaq First Nation, by their
authorized representative

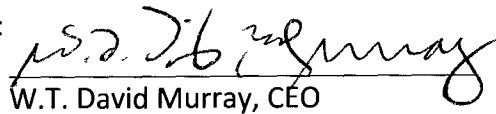
Black Spruce Exploration Corporation,
by their authorized representative

Per:



Brendan Shepherd
Chief of QMFN Mi'kmaq First
Nation

Per:



W.T. David Murray, CEO