

GOVERNANCE AGREEMENT

THIS AGREEMENT is dated effective the 31st day of December, 2010.

BETWEEN:

FREEHOLD ROYALTIES LTD., a body corporate with offices in Calgary, Alberta (hereinafter referred to as the "**Corporation**")

OF THE FIRST PART

- and -

RIFE RESOURCES MANAGEMENT LTD., a body corporate with offices in Calgary, Alberta (hereinafter referred to as the "**Manager**")

OF THE SECOND PART

WHEREAS:

- A. Freehold Royalty Trust (the "**Trust**") is converting into a dividend paying corporation pursuant to a plan of arrangement (the "**Arrangement**") pursuant to the provisions of the *Business Corporations Act* (Alberta) involving the Trust, the Corporation, Freehold Resources Ltd. ("**Freehold Resources**"), Freehold Royalty Acquisition Trust 1, Freehold Royalty Acquisition Trust 2, Freehold Royalties Partnership, 1163177 Alberta Ltd., 1555014 Alberta Ltd. ("**Newco**"), the Manager and the holders of Trust Units of the Trust;
- B. Pursuant to the Arrangement, the Trust will be dissolved and all the assets of the Trust will be transferred to the Corporation and all the liabilities of the Trust will be assumed by the Corporation;
- C. Freehold Resources, the Manager and Computershare Trust Company of Canada, in its capacity as trustee of the Trust, are parties to an amended and restated unanimous shareholders' agreement (the "**USA**") dated effective the December 31, 2004, which will be terminated pursuant to the Arrangement;
- D. the Manager has consented to the completion of the Arrangement and the termination of the USA; and
- E. the Parties have agreed to do all such things as may be necessary in order to give effect to this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT, in consideration of the premises and the mutual covenants and agreements hereinafter contained and other good and valuable consideration, including the Manager consenting to the completion of the Arrangement and the termination of the USA (the receipt and sufficiency of which is hereby acknowledged) the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 The parties hereto represent that, to the extent that the subject matter therein is within their knowledge or control, the recitals to this Agreement are true and correct and the parties hereto agree that such recitals form an integral part of this Agreement.

1.2 In the Agreement unless there is something in the subject matter or context inconsistent therewith:

- (a) "**Affiliate**" has the meaning ascribed thereto in the *Business Corporations Act* (Alberta);
- (b) "**Agreement**" means this Governance Agreement and any agreements or schedules supplemental or ancillary hereto;
- (c) "**Common Shares**" means the common shares in the capital of the Corporation;
- (d) "**Management Agreement**" means the Amended and Restated Management Agreement to be dated January 1, 2011 between the Corporation, Freehold Resources and the Manager, as amended from time to time;
- (e) "**Parties**" means the parties to this Agreement;
- (f) "**Person**" means an individual, corporation, partnership, trustee, syndicate, entity, association or unincorporated organization, and words importing persons have a similar meaning; and
- (g) "**Shareholders**" means the holders from time to time of one or more Common Shares.

1.3 In this Agreement, words importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender and vice versa where the context so requires.

1.4 The division of this Agreement into Articles and Sections and the Article and Section headings are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

ARTICLE 2 NOMINATION OF DIRECTORS

2.1 At all such times as the Manager and its Affiliates, collectively, hold 10% or more of the issued and outstanding Common Shares, the Manager will have the right to nominate for election two (2) individuals to serve on the board of directors of the Corporation (the "**Board**").

2.2 At all such times as the Manager and its Affiliates, collectively, hold one (1) or more Common Share(s) but hold less than 10% of the issued and outstanding Common Shares, the Manager will have the right to nominate for election one (1) individual to serve on the Board.

2.3 From and after the date hereof until the termination of this Agreement, in connection with each election of directors of the Corporation, whether at an annual or special meeting, the Corporation will nominate, for election to its Board, the persons nominated by the Manager pursuant to Section 2.1 or 2.2, as the case may be (the "**Manager Designees**").

2.4 All Manager Designees must meet the qualification requirements to serve as a director under the *Business Corporations Act* (Alberta) (other than residency) and the rules of any stock exchange on which the Common Shares are then listed. No Manager Designee may be a person who has been convicted of a felony or a crime involving moral turpitude or a person who is not acceptable to any stock exchange on which the Common Shares are then listed or a securities regulatory authority having jurisdiction over the Corporation.

2.5 If the individuals nominated by the Manager fail to get elected by the Shareholders as members of the Board or if the Manager ceases to hold any Common Shares (in which case the Manager will not have the right to nominate any individuals) but continues to act as Manager of the Corporation pursuant to the Management Agreement, the Manager will have the right to designate one representative as an observer (the "**Board Observer**") to the Board and each committee of the Board.

ARTICLE 3 BOARD OBSERVER

3.1 To the extent that the Manager is entitled to have a Board Observer present at the meetings of the Board or any committees of the Board (collectively, "**Board Meetings**"), the provisions of this Article 3 will apply.

3.2 The Board Observer shall be entitled to receive notice of and to attend (in person or by telephone, video conference or other means) each Board Meeting (except in camera sessions to the extent members of management of the Manager are excluded from such in-camera sessions), whether such Board Meetings are held in person, by telephone, video conference or any other means.

3.3 The Board Observer shall have the right to take part in discussions and deliberations of matters brought before the Board.

3.4 The Board Observer shall not be entitled to vote on any matters brought before the Board or any committee of the Board.

3.5 The Corporation shall, in advance of each Board Meeting, send to the Board Observer all notices, consents, minutes, documents and other information and materials that it sends to members of the Board for purposes of the applicable Board Meeting, in their capacities as such (collectively, the "**Board Materials**"), at substantially the same time and in substantially the same manner (or as close as may be reasonably practicable thereto) as the Corporation sends the Board Materials to members of the Board. Notwithstanding the foregoing, in no event shall the failure to provide the Board Materials as described above in any way invalidate any action taken at a Board Meeting.

3.6 The Corporation shall deliver to the Board Observer copies of any written consent resolutions proposed to be adopted by the Board or any committee of the Board, at the same time as such written consent resolutions are circulated to members of the Board or any committee of the Board for signature, and shall advise the Board Observer as to the approval of such written consent resolutions.

3.7 The Board Observer shall not be entitled to any remuneration for acting in such capacity; provided, however that all reasonable expenses of the Board Observer shall be borne by the Corporation, to the same extent that such expenses are borne by the Corporation for members of the Board. For greater certainty, the Manager hereby acknowledges and agrees that the Corporation shall have no obligation to pay directors fees or similar compensation or issue any options or other securities convertible into shares of the Corporation to the Board Observer in the Board Observer's capacity as such.

3.8 The Manager acknowledges that as a result of attending Board Meetings and receiving the Board Materials, the Board Observer will have access to confidential information of the Corporation, the disclosure of which could be detrimental to the interests of the Corporation. The Manager agrees that, subject to the provisions of this Agreement, it shall cause the Board Observer to: (i) hold all Board Materials and all other information in respect of the Corporation provided to him or her or learned by him or her in his/her capacity as Board Observer (including materials prepared by the Board Observer utilizing Board Materials or such other information) in strict confidence; (ii) not disclose, directly or indirectly, any such information to any person, except as permitted by this Agreement; and (iii) use any such information solely for the purposes reasonably related to the Manager acting as the manager pursuant to the Management Agreement or related to the interests of the Manager or its Affiliates as holders of Common Shares; (iv) comply with all applicable securities laws that may prohibit a Person who has material, non-public information in respect of the Corporation or any other information provided to him or her or learned by him or her in his/her capacity as Board Observer from trading in securities of the Corporation or any other entity to which such information relates; and (v) comply with all trading restrictions or black-out periods imposed by the Board. The Board Observer shall be entitled to disclose all such information (or any portion thereof) to its Affiliates and their directors, officers, employees, representatives, agents, lawyers, consultants, financial and other advisors (collectively, the "**Representatives**") provided that the Manager shall cause its Affiliates and their Representatives to treat the information as confidential in a manner consistent with this Agreement and the Manager will be liable for any loss or damage resulting from a failure of its Affiliates and their Representatives to do so. This confidentiality provision will survive the termination of this Agreement.

3.9 The confidentiality obligations set out in Section 3.8 hereof shall not apply to information that: (i) was in the public domain at the time of its communication or disclosure or thereafter becomes part of the public domain through no fault of the Manager, its Affiliates or their Representatives, as applicable; (ii) was in the possession of the Manager, its Affiliates or their Representatives, as applicable, at the time of its communication or disclosure and was not acquired from the Corporation; (iii) was received from a third party without an obligation of confidentiality, provided that the Manager, its Affiliates or their Representatives, as applicable, has no reason to believe such third party was under an obligation of confidentiality with respect to the information; or (iv) is required by law or an order of a court of competent jurisdiction to be disclosed.

ARTICLE 4 TERM OF AGREEMENT

4.1 This Agreement shall be in effect until terminated, cancelled or amended in writing by the agreement of the Corporation and the Manager. This Agreement shall be terminated at such time as the Manager ceases to act as the Manager of the Corporation pursuant to the terms of the Management Agreement. In the event of the termination of this Agreement as provided in this Section 4.1, this Agreement shall forthwith have no force and effect, and there shall be no obligation on the part of the Manager and the Corporation, except as set forth in Section 3.8, which provisions shall survive the termination of this Agreement.

ARTICLE 5 GENERAL PROVISIONS

5.1 Each party hereto covenants and agrees to execute or cause to be done or executed all such further and other acts, deed, things, instruments and assurances whatsoever for the better or more perfect and absolute performance of the terms and conditions of this Agreement.

5.2 Each communication provided for in this Agreement or arising in connection therewith (including the service of any documents or notices as may be required by any court or judge or by any court proceedings) shall be in writing and shall be mailed or delivered to the parties addressed as follows:

the Corporation: Freehold Royalties Ltd.
Suite 400, 144 - 4th Avenue S.W.
Calgary, Alberta T2P 3N4

Attention: President
Fax: (403) 221-0888

the Manager: Rife Resources Management Ltd.
Suite 400, 144 - 4th Avenue S.W.
Calgary, Alberta T2P 3N4

Attention: President
Fax: (403) 221-0888

Each party may change its mailing or delivery address by giving to the other parties written notice to that effect.

5.3 Each such communication shall, if delivered be deemed to have been given to and received by the addressee when delivered or, if mailed at any post office in Canada by prepaid registered post in an envelope addressed to the party to whom the same is directed, be deemed to have been given to and received by the addressee on the fifth (5th) business day following the mailing, except where there exists a labour strike or disturbance the result of which is the interference to normal mail deliveries, in which case every communication provided for in this Agreement or arising in connection herewith shall be delivered to the parties at the above addresses.

5.4 This Agreement may be executed in any number of counterpart with the same effect as if all the parties hereto signed the same document. All counterparts shall be construed together and shall constitute one instrument.

5.5 Notwithstanding the place of negotiation or execution of this Agreement or the province of residence of any of the parties hereto, it is agreed that this Agreement shall be interpreted and construed in accordance with the laws of the Province of Alberta and the Corporation and the Manager hereby attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

5.6 Should any portion of this Agreement be judicially held to be invalid or wholly or partially unenforceable, such holding shall not invalidate or void the remainder of this Agreement, and the parties hereby agree that the parts so held to be wholly or partially invalid or enforceable shall be deemed to have been stricken herefrom with the same force and effect as if such part or parts had never been included herein or had always been revised and reduced in scope so as to be valid and enforceable, as the case may be.

5.7 This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective heirs, executors, administrators, successors and permitted assigns including in the case of the Corporation, the corporation created upon the amalgamation of the Corporation and Newco pursuant to the Arrangement.

5.8 Time shall be of the essence of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day of the year first above written.

FREEHOLD ROYALTIES LTD.

Per: (signed) "William O. Ingram"

RIFE RESOURCES MANAGEMENT LTD.

Per: (signed) "William O. Ingram"