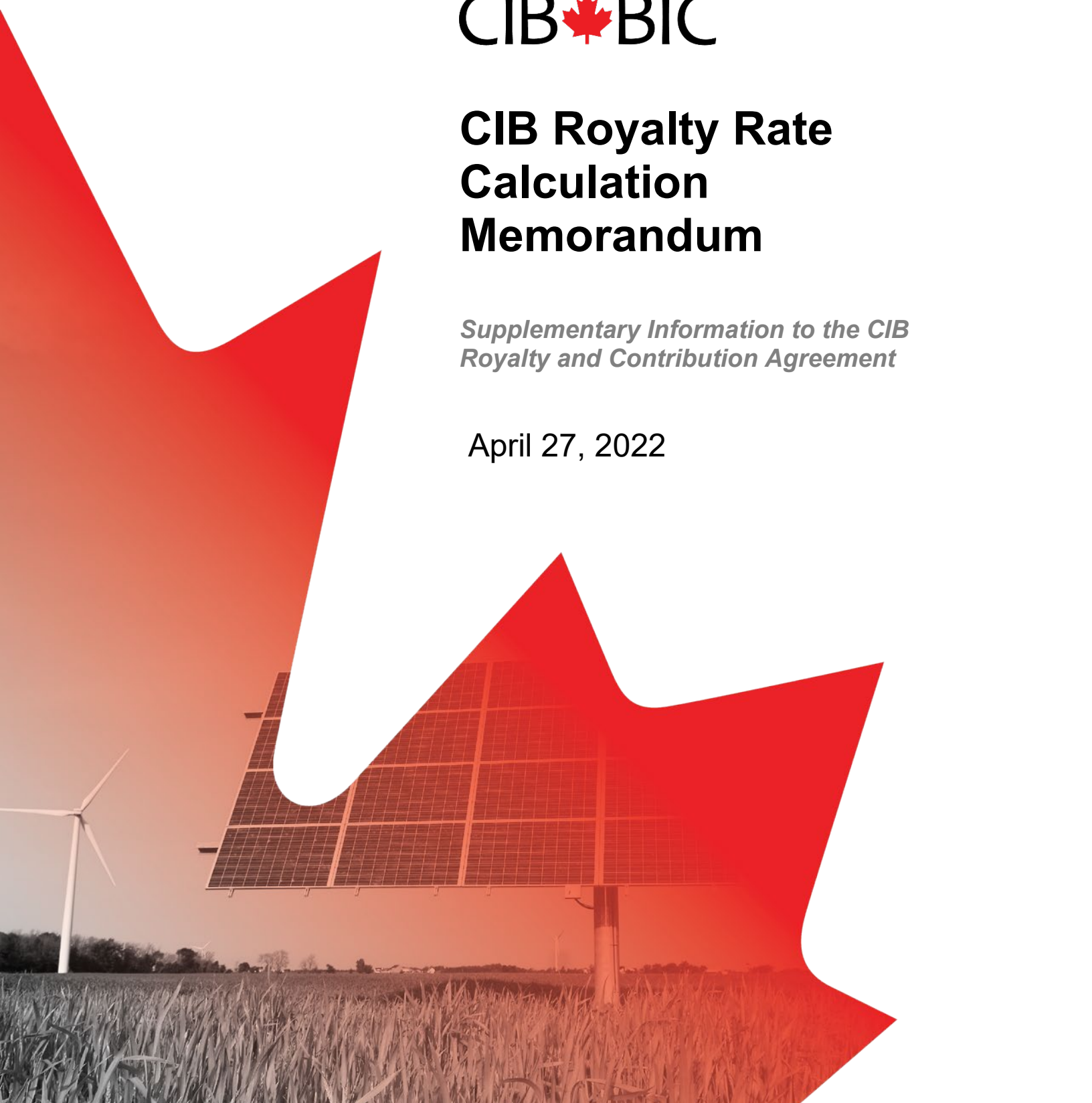




CIB Royalty Rate Calculation Memorandum

*Supplementary Information to the CIB
Royalty and Contribution Agreement*

April 27, 2022



*To be read in conjunction with the CIB Royalty and Contribution Agreement (the “**Agreement**”) released on February 25, 2022. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.*

As defined in the CIB Royalty and Contribution Agreement:

“Royalty Rate” means the percentage of Project Revenues determined by the CIB as of the Closing Date to be required for the CIB to achieve an IRR equal to the Government of Canada Bond yield as of the Closing Date, interpolated for 25 years, based on the P90 production forecast for the Project (as verified by the Independent Engineer), and calculated from the first Contribution Payment to the expiry date of the PPA.

For the purposes of this document, the “Government of Canada Bond yield as of the Closing Date, interpolated for 25 years” shall be referred to as the **“Target CIB IRR”**.

CALCULATING THE TARGET CIB RETURN

The Target CIB IRR represents a 25-year Government of Canada Bond yield, which is interpolated from the 20-year and 30-year Government of Canada Bond yields. This Target CIB IRR will be finalized at financial close of the Agreement (**“Financial Close”**).

Illustrative Example

As at April 25, 2022:

- Canada 20 Year Government Bond: 2.846%
- Canada 30 Year Government Bond: 2.769%

Target CIB IRR = MEDIAN(2.846%, 2.769%) = **2.81%**

SIZING THE ROYALTY RATE

The Royalty Rate is sized for the CIB to achieve the Target CIB IRR at the expiry date of the PPA, as specified above. The Royalty Rate will be a single fixed rate, set at the Closing Date and will remain constant over the full Term of the Agreement. The CIB will be sharing production risk as the Royalty Rate will not be adjusted following Financial Close.

The CIB will be paid a fixed percentage (the Royalty Rate) of all Project Revenues up to the expiry date of the PPA.

Following the expiry date of the PPA, the CIB will continue to be paid a fixed percentage (the Royalty Rate) of all Project Revenues, until the earlier of: (i) the end of the operating life of the asset; or (ii) the 40th anniversary date of the Commercial Operation Date.

If at any point in time, the CIB’s actual IRR reaches to 5%, calculated from the date of the first Contribution Payment, the Agreement shall be terminated. This sets a cap to the maximum return of the CIB Royalty in the event of Project overperformance.

Walkthrough of Calculation

1. On each Monthly Payment Date throughout the Term of the Agreement, the CIB receives a Royalty payment equal to:
 - a. Total Project Revenues under a P90 production forecast;
multiplied by
 - b. the Royalty Rate.
2. The CIB's IRR is calculated on an actual basis where cash flows occur using the XIRR function in Excel, starting from the date of the first Contribution Payment made by the CIB with respect to the Project.
3. The Royalty Rate should be set such that the CIB's IRR is equal to the Target CIB IRR as at the expiry date of the PPA. This may be calculated using a goal seek mechanism in Excel. This is an iterative calculation whereby the Royalty Rate and the Energy Rate (as defined in Appendix 8.1 - Power Purchase Agreement from the Request for Proposals Materials) are adjusted until all requirements are met.

Illustrative Example

Project Assumptions:

- Project Capital Costs: \$100M
- CIB Contribution: \$50M (50% of \$100M)
- Operational Life: 35 years

		Construction Period			Operation Period							
Year		1	1		1		25	25		35		40
Month		1	2	...	1	...	299	300	...	420	...	480
Project Revenues ¹	\$000's	-	-		754		690	696		538		-
Royalty Rate ²		25%	25%		25%		25%	25%		25%		25%
Royalty Payment	\$000's	-	-		189		173	174		135		-
CIB Contribution	\$000's	(1,900)	(2,000)		-		-	-		-		-
CIB's IRR ³		-	-		0.00%		2.79%	2.81%		3.95%		3.95%

¹ Project Revenues based on P90 net production forecasts.

² Royalty Rate sized such that CIB's IRR is equal to Target CIB IRR of 2.81% by PPA expiry (as calculated in above illustrative example) while adjusting the Energy Rate to meet the required Project returns. This is an iterative calculation whereby the Royalty Rate and the Energy Rate are adjusted until all requirements are met.

³ CIB's IRR calculated using monthly cash flows on an actual basis with the XIRR function.