

TERM SHEET

This document (the “**Term Sheet**”) arises pursuant to discussions between Northern Gateway Pipelines Limited Partnership, by its general partner, Northern Gateway Pipelines Inc. (“**Northern Gateway**”) and the hereditary Chiefs of Old Massett, in Haida Gwaii (“**Hereditary Chiefs**”). With the exception of those terms contained below under the heading “**Confidentiality**,” this Term Sheet is non-binding and does not contain any enforceable obligations, which will only arise when a binding and definitive agreement (the “**Definitive Agreement**”) is executed by the parties and all other conditions referred to below are either satisfied or waived. The parties to this Term Sheet are committed to exploring all commercially reasonable possibilities arising from the terms and concepts set out directly below.

I. Consideration

Northern Gateway will provide the Hereditary Chiefs with the following (the “**Consideration**”):

- **Cultural Activities** - ~~\$90,000~~ payable within 30 days of the execution of the Definitive Agreement, to be used by the Hereditary Chiefs, at their discretion, to promote traditional cultural activities of their choosing;
- **Corporate Set-Up** - ~~\$10,000~~ payable within 30 days of the execution of the Definitive Agreement, to be used by the Hereditary Chiefs, at their discretion, to pay for the setting up of any corporate structures/entities (example: company or limited partnership) they may require to carry out the activities and responsibilities contemplated in this Term Sheet;
- **Emergency Response & Marine Services / Involvement & Shared Ownership** – Northern Gateway is in the early stages of giving shape to planned emergency response and related marine services work (the “**ER&MS**”). Northern Gateway believes it is important for the Hereditary Chiefs to be involved in and have shared ownership over: (i) the location, (ii) income generation, and (iii) governance model relating to ER&MS. Some of the income generated from the ER&MS is expected to arise from joint venture (or contract) work utilizing ER&MS assets, as well as the carrying out of various studies and surveys. Some of the assets are expected to include: escort tug(s); spotter boat(s); harbour tug(s); mooring boat(s); ancillary supporting response vessels; maintenance facility; office(s); and fueling facilities. Some of the survey and study work is expected to include: tanker drift study, shoreline environmental quality monitoring program, marine bird monitoring program, harvest studies, Coastal sensitivity mapping, geographic response planning, community response planning, and a black bear health monitoring program. It is difficult at this stage to estimate what the revenue stream from the ER&MS assets, joint ventures (or contracts), and surveys (the “**ER&MS Income Stream**”) would be on an annual basis (note: some survey work would be completed prior to

project in-service-date, and some after), and what share of the ER&MS Income Stream would be available to the Hereditary Chiefs. The parties to this Term Sheet will work collaboratively to confirm the annual amount of such ER&MS Income Stream for the duration of the Northern Gateway project;

For illustrative purposes, that portion of the ER&MS Income Stream available to the Hereditary Chiefs would be used at the discretion of the Hereditary Chiefs. Potential uses of the ER&MS Income Stream could include: (i) social housing; (ii) longhouse carving centre; (iii) community centre; (iv) elders and youth event support; (v) traditional language retention; (vi) re-investment into community businesses and joint ventures (or contracts);

- **Marine Response Organization** – The Hereditary Chiefs will play a meaningful role in the selection of the marine response organization responsible for emergency response delivery pursuant to applicable legislation;
- **Negotiation of ER&MS** - Given a number of details and variables need to be worked through in respect of the ER&MS and the ER&MS Income Stream, Northern Gateway proposes that following the execution of this Term Sheet, the parties meet regularly during the course of the next three to six months to jointly work on the establishment of the ER&MS and negotiate the terms of the ER&MS Income Stream. A negotiation group would be set up, following the execution of the Term Sheet. \$50,000 will be payable within 30 days of the execution of the Definitive Agreement, to be used by the Hereditary Chiefs, at their discretion, to support the aforesaid negotiations;
- **First Coastal Partner Signing Advantage** – should the Hereditary Chiefs be the first coastal community to partner up with Northern Gateway, as evidenced by the execution of this Term Sheet, this will provide the Hereditary Chiefs with a first mover advantage in respect of shaping the ER&MS and negotiating the terms of the ER&MS Income Stream;
- **Sole Source Contracts** - the option to negotiate with Northern Gateway's supply chain management team, up to \$5,000,000 in sole-source goods and/or services work on Northern Gateway (example: tree clearing/helicopter work/security etc), on terms similar to those presently being negotiated with terrestrial Aboriginal communities who were "late-signers" in 2011;
- **Set Aside Contracts** - the option to negotiate with Northern Gateway's supply chain management team for Aboriginal set-aside work in British Columbia, in addition to the aforesaid sole-source goods and/or services work;

- **Employment & Training** - the option to meet with Northern Gateway's employment and training group to discuss programs and/or services potentially available and of interest to the Hereditary Chiefs. Some options of interest could include: (i) workforce capability, employment opportunities, and related gap analysis; (ii) investment in community-based training to employment and/or capacity development programs; (iii) development of a community based and targeted social, education, economic development and sustainability (SEEDS) plan; and (iv) support for community based child and youth, elder and women focused development programs;
- **Aboriginal Equity Partner Group** - the option of joining the Aboriginal Equity Partner group which meets regularly throughout the calendar year to promote its economic and other related interests.

II. Public Disclosure

In exchange for the Consideration, the Hereditary Chiefs agree to provide Northern Gateway with:

- under the terms of the Definitive Agreement, the Hereditary Chiefs will (i) provide a written statement of support for Northern Gateway, likely in the form of a letter to be negotiated between the parties; and (ii) will provide notice of public support for Northern Gateway, at an appropriate future date, in their regular newsletter (or through other means of communication) to their constituents. The parties agree that they do not want to place the Hereditary Chiefs in a vulnerable position, and Northern Gateway therefore agrees, and the Definitive Agreement will provide that Northern Gateway will not publicly release the written statement of support until it has obtained similar declarations of support from at least four other elected BC Chiefs, BC hereditary leaders, or Métis leaders from along the project corridor.

III. Authorization

Contemporaneously with the execution of the Definitive Agreement, the Hereditary Chiefs will provide Northern Gateway with a certified copy of meeting minutes or similar authorizing document together, if requested, with other evidence satisfactory to Northern Gateway, acting reasonably, that all necessary or desirable actions, steps and corporate and other proceedings have been taken to authorize or approve participation of the Hereditary Chiefs in the Definitive Agreement.

IV. Confidentiality

Unless otherwise permitted or agreed to beforehand in writing by the parties to the Term Sheet, the parties will not divulge any of the terms contemplated in this Term Sheet to third parties other than their professional advisors.

V. Further Assurances

Each of the parties to the Term Sheet will execute and deliver such further documents and instruments and do such further acts and things as

may be reasonably required to carry out the intent and meaning of the transactions contemplated in this Term Sheet.

The parties below each agree with the provisions of this Term Sheet, effective the ____ day of June, 2015. This Term Sheet may be executed by the parties in any number of counterparts with the same effect as if the parties had signed the same document and may be executed and transmitted electronically and if so executed will be for all purposes as effective as if the parties had delivered an executed original Term Sheet.

HEREDITARY CHIEFS OF OLD MASSETT

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**NORTHERN GATEWAY PIPELINES LIMITED
PARTNERSHIP, by its General Partner,
NORTHERN GATEWAY PIPELINES INC.**

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Title: