UNDERWRITING AGREEMENT

February 26, 2007

Rally Energy Corp.
400, 444 - 5th Avenue S.W.
Calgary, AB T2P 2T8

Dear Sirs:

Re: Offering of Common Shares of Rally Energy Corp.

Wellington West Capital Markets Inc. ("**WWCM**"), as lead underwriter and sole book runner, Westwind Partners Inc., D&D Securities Company, Jennings Capital Inc., MGI Securities Inc. and Tristone Capital Inc. (collectively, the "**Underwriters**" and, individually, an "**Underwriter**") understand that Rally Energy Corp. (the "**Corporation**") proposes to issue and sell 10,000,000 common shares (the "**Firm Shares**") of the Corporation at a price of $5.00 per common share and to grant to the Underwriters an over-allotment option (the "**Over-Allotment Option**") to purchase up to an additional 1,000,000 common shares of the Corporation at a price of $5.00 per common share to cover over-allotments, if any, and for market stabilization purposes (the common shares in respect of which the Over-Allotment Option is exercised, the "**Over-Allotment Shares**" and, together with the Firm Shares, the "**Offered Shares**").

The Underwriters understand that the Corporation will file the Preliminary Prospectus (as defined herein) and subsequently the Prospectus (as defined herein) relating to the sale of the Offered Shares with the Regulatory Authorities (as defined herein) pursuant to the Short Form Prospectus System (as defined herein) in accordance with their requirements in order to qualify the Offered Shares for Distribution (as defined herein) in each of the Qualifying Provinces (as defined herein).

Based upon the foregoing and subject to the terms, conditions, representations and warranties contained herein, the Underwriters hereby, severally and not jointly, in the respective percentages set forth in section 20.1 hereof, offer to purchase from the Corporation and, by its acceptance hereof, the Corporation agrees to sell to the Underwriters at the Closing Time (as defined herein) all, but not less than all, of the Firm Shares for a purchase price of $5.00 per Firm Share, being an aggregate purchase price of $50,000,000 which purchase price shall be payable by the Underwriters at the Closing Time in accordance with the terms hereof.

In consideration of the Underwriters' agreement to purchase the Firm Shares, the Corporation hereby grants to the Underwriters the Over-Allotment Option, exercisable in whole or in part by notice given from time to time on or prior to the 30th day following the Closing Date (as defined herein), to purchase from the Corporation the Over-Allotment Shares at the Over-Allotment Closing Time (as defined herein) for a purchase price of $5.00 per Over-Allotment Share, being an aggregate purchase price of up to $5,000,000, which purchase price shall be payable by the Underwriters at the Over-Allotment Closing Time in accordance with the terms hereof. The notice exercising the Over-Allotment Option shall be given by the Underwriters to the Corporation by facsimile or delivery in the manner set forth in section 21 hereof and shall specify the number of Over-Allotment Shares to be purchased by the Underwriters. Upon the furnishing of such notice, the Underwriters shall be committed, severally and not jointly, to purchase the number of Over-Allotment Shares specified in such notice in the respective percentages set forth in section 20.1 hereof, and the Corporation shall be obligated to sell such Over-Allotment Shares, all in accordance with the provisions hereof.

In further consideration of the agreement of the Underwriters to underwrite the distribution of and to purchase the Firm Shares and any Over-Allotment Shares hereunder and to offer them to the public and of the services to be rendered by the Underwriters in connection herewith:

(a) the Corporation agrees to pay the Underwriters, at the Closing Time, a fee of $0.25 for each Firm Share being an aggregate fee of $2,500,000; and

(b) the Corporation agrees to pay the Underwriters, at the Over-Allotment Closing Time, a fee of $0.25 for each Over-Allotment Share being an aggregate fee of up to $250,000.

For greater certainty, the services provided by the Underwriters in connection herewith will not be subject to the Goods and Services Tax provided for in Part IX of the *Excise Tax Act* (Canada) by virtue of being supplies of exempt financial services and any other supplies provided will be incidental to the exempt financial services.

The terms and conditions of the agreement among the Corporation and the Underwriters are as set forth below.

TERMS AND CONDITIONS

1. Definitions and Interpretation.

1.1 In this Agreement, unless the context otherwise requires:

"**Affiliate**" shall have the meaning ascribed thereto in the *Business Corporations Act* (Alberta);

"**Agreement**", "**hereto**", "**herein**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions mean and refer to, respectively, the agreement among the Corporation and the Underwriters resulting from the acceptance by the Corporation of the offer made by the Underwriters by this letter and not to any particular paragraph or other part of this Agreement;

"**Blackout Period**" shall have the meaning ascribed thereto in section 23.1;

"**Business Day**" means any day of the year other than a Saturday, Sunday or statutory holiday, on which banks are open for business in the City of Calgary, Alberta;

"**Claim**" or "**Claims**" shall have the meaning ascribed respectively thereto in section 13.1;

"**Closing**" means the completion of the sale by the Corporation of the Offered Shares and the purchase thereof by the Underwriters pursuant to this Agreement;

"**Closing Date**" means March 13, 2007 or such other date as the parties hereto may mutually agree upon in writing, provided that in no event shall the Closing occur later than March 26, 2007;

"**Closing Time**" means 6:30 a.m. (Calgary time) on the Closing Date or such other time on the Closing Date as the parties hereto may mutually agree;

"**Common Shares**" means common shares in the capital of the Corporation;

"**Contract**" has the meaning ascribed thereto in section 6.1(o);

"**Current Auditor**" means Deloitte & Touche, LLP, Chartered Accountants, auditor of the Corporation;

"**Current Documents**" shall have the meaning ascribed thereto in section 4.3;

"**D&M**" means DeGolyer and MacNaughton Canada Limited;

"**Development**" shall have the meaning ascribed thereto in section 4.3;

"**Distribution**" means "distribution" or "distribution to the public", as the case may be, as those terms are defined under relevant Securities Laws in any of the Qualifying Provinces, and "**Distribute**" has a corresponding meaning;

"**Distribution Period**" means the period commencing on the date of this Agreement and ending on the date on which all of the Firm Shares and any Over-Allotment Shares have been sold by the Underwriters to purchasers pursuant to the Prospectus;

"**Financial Information**" means:

(a) the Financial Statements and management's discussion and analysis related thereto, and

(b) the selected financial information set forth in the documents incorporated by reference in the Prospectuses;

"**Financial Statements**" means, collectively, (i) the Corporation's audited comparative consolidated balance sheet as at December 31, 2005 and 2004 and statements of income, deficit and cash flows for the years then ended, the notes thereto and the auditors' reports thereon; and (ii) the Corporation's unaudited comparative consolidated balance sheet as at September 30, 2006 and statements of income (loss), deficit and cash flows for the three and nine month periods then ended and the notes thereto;

"**GAAP**" means generally accepted accounting principles, consistently applied, including those set out in the Handbook of the Canadian Institute of Chartered Accountants;

"**Indemnified Parties**" has the meaning ascribed thereto in section 13.1;

"**material change**" has the meaning given under the Securities Laws;

"**material fact**" has the meaning given under the Securities Laws;

"**misrepresentation**" means, with respect to circumstances in which the Securities Laws of a particular province are applicable, a misrepresentation as defined under the Securities Laws of that province and, if not so defined, or in circumstances in which no particular provincial laws are applicable, a misrepresentation as defined under the *Securities Act* (Alberta);

"**MRRS Procedures**" means the mutual reliance review system and procedures described under National Policy 43-201 – Mutual Reliance Review System for Prospectuses, as currently in effect;

"**Over-Allotment Closing Date**" means the second Business Day after the notice of exercise of the Over-Allotment Option is delivered to the Corporation or such other date as the parties hereto may mutually agree;

"**Over-Allotment Closing Time**" means 6:30 a.m. (Calgary time) on the Over-Allotment Closing Date, or such other time on the Over-Allotment Closing Date as agreed to by the Corporation and the Underwriters;

"**Previous Auditor**" means BDO Dunwoody LLP, Chartered Accountants, previous auditor of the Corporation;

"**Preliminary Prospectus**" means the preliminary short form prospectus of the Corporation to be dated on or before February 26, 2007 relating to the offering of the Offered Shares, including, unless the context otherwise requires, all documents incorporated by reference therein, to be filed with the Regulatory Authorities;

"**Prospectus**" means the (final) short form prospectus of the Corporation to be dated on or before March 6, 2007 (or such other date as agreed to by the Corporation and the Underwriters) relating to the offering of the Offered Shares including, unless the context otherwise requires, all documents incorporated by reference therein, to be filed with the Regulatory Authorities;

"**Prospectuses**" means, collectively, the Preliminary Prospectus and the Prospectus;

"**Public Record**" means all information filed by or on behalf of the Corporation with the Regulatory Authorities, including the Prospectuses and any other information filed with any Regulatory Authority in compliance, or intended compliance, with any applicable Securities Laws;

"**Qualifying Provinces**" means, collectively, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia;

"**Regulatory Authorities**" means, collectively, the applicable securities commissions or similar securities regulatory authorities in each of the Qualifying Provinces;

"**Reserve Report**" means the report prepared by D&M evaluating the oil and gas reserves attributable to the Corporation's properties as at December 31, 2006, in accordance with the standards contained in the Canadian Oil and Gas Evaluators Handbook and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities;

"**Securities Laws**" means, collectively, all applicable securities laws of each of the Qualifying Provinces and the respective regulations, rules, policies and orders thereunder together with all applicable published notices, orders and rulings of the Regulatory Authorities;

"**Selling Firms**" shall have the meaning ascribed thereto in section 11.1;

"**Short Form Prospectus System**" means the system described in National Instrument 44-101 Short Form Prospectus Distributions, as currently in effect;

"**Subsidiaries**" means all corporations, partnerships, trusts and other unincorporated entities beneficially owned, directly or indirectly, by the Corporation and includes, without limitation, Scimitar Hydrocarbons Corporation, Petrolease Equipment Ltd., Scimitar Production International Ltd., Scimitar Production Egypt Ltd. and Rally Energy Safed Koh Ltd.;

"**Supplementary Material**" means, collectively, any amendment or supplement to the Prospectuses or any of the documents incorporated by reference therein;

"**Tax Act**" means the *Income Tax Act* (Canada) and the rules and regulations thereunder, in each case as amended;

"**to the best of the knowledge, information and belief of**" means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates, after having made reasonable inquiries and investigations in connection with such facts and circumstances;

"**TSX**" means the Toronto Stock Exchange or any successor thereto; and

"**Underwriters' Information**" means, in respect of the Prospectuses, any statements contained therein relating solely to and furnished by the Underwriters.

1.2 Unless otherwise stated, any reference in this Agreement to any section, paragraph or schedule shall refer to a section, paragraph or schedule of this Agreement.

1.3 Words importing the singular number only shall include the plural and *vice versa*, and words importing the use of any gender shall include all genders.

2. Qualification and Offering for Sale.

2.1 (a) The Corporation shall, as soon as possible and in any event not later than the times and dates set forth below in this section 2.1, fulfil, to the satisfaction of counsel to the Underwriters, acting reasonably, all legal requirements to be fulfilled by the Corporation to qualify the Offered Shares for Distribution in the Qualifying Provinces by or through the Underwriters and other investment dealers or brokers registered in the Qualifying Provinces. Without limiting the generality of the foregoing, these legal requirements include the filing of the Prospectuses and other related documents and the obtaining of appropriate decision documents or receipts therefor, advising the Underwriters and counsel for the Underwriters that such decision documents or receipts have been obtained and responding to any comments of the Regulatory Authorities concerning the Preliminary Prospectus or any other matter raised by any Regulatory Authority. During the Distribution Period, the Corporation shall promptly take or cause to be taken all additional steps and proceedings that from time to time may be required under the applicable laws of each of the Qualifying Provinces to continue to qualify the Offered Shares for Distribution therein.

(b) The Corporation has elected and shall comply in all respects with the MRRS Procedures and has selected the Province of Alberta as the principal jurisdiction under the MRRS Procedures.

(c) The Corporation represents and warrants that it is eligible to use the Short Form Prospectus System in each of the Qualifying Provinces.

(d) The Corporation shall prepare and file the Preliminary Prospectus and related documents, and shall obtain a (preliminary) decision document under the MRRS Procedures from or on behalf of each of the Regulatory Authorities dated no later than February 26, 2007.

(e) The Corporation shall prepare and file the Prospectus and related documents, and shall obtain a (final) decision document under the MRRS Procedures from or on behalf of each of the Regulatory Authorities dated no later than March 6, 2007 or such other date as the Corporation and the Underwriters may agree to.

2.2 The Corporation shall cooperate in all respects with the Underwriters to allow them to participate fully in the preparation of the documentation required for the Distribution of the Offered Shares and shall allow the Underwriters and their advisors and representatives to conduct all "due diligence" investigations which they may reasonably require to fulfill their obligations as Underwriters and to enable the Underwriters to responsibly sign any certificate required to be signed by the Underwriters in such documentation. The Corporation shall furnish to the Underwriters all the information relating to the Corporation and the Subsidiaries and their respective businesses and affairs as required for the preparation of the Prospectus and other documentation to be filed in connection with the Distribution of the Offered Shares in order to satisfy disclosure requirements under the Securities Laws.

3. Deliveries of Prospectuses and Related Documents.

3.1 The Corporation shall deliver or cause to be delivered to the Underwriters the documents set out below at the respective times indicated:

(a) as soon as they are available, and in any event no later than the time of filing thereof with any of the Regulatory Authorities, copies of the Prospectuses, signed as required by the laws of the Qualifying Provinces;

(b) as soon as they are available, and in any event no later than the time of filing thereof with any of the Regulatory Authorities, copies of any Supplementary Material, signed as required by the laws of the Qualifying Provinces;

(c) if not previously delivered, copies of any documents incorporated by reference into the Prospectuses or the Supplementary Material, at the time of the delivery of the Prospectuses or the Supplementary Material, as applicable;

(d) at the time of delivery to the Underwriters of the Prospectus pursuant to section 3.1(a), comfort letters from the Current Auditor and the Previous Auditor, dated the date of the Prospectus, reasonably satisfactory in form and substance to the Underwriters and addressed to the Underwriters, with respect to the Financial Information contained in or incorporated by reference into the Prospectus, which comfort letters shall be based on a review by the Current Auditor and the Previous Auditor having a cut-off date not more than two Business Days prior to the date of the comfort letters and shall be in addition to any comfort letters which must be filed with the Regulatory Authorities pursuant to the Securities Laws; and

(e) as soon as it is available, and in any event, no later than the time of the filing of the Prospectus, a letter from the TSX advising the Corporation that conditional listing approval for the Offered Shares has been granted.

3.2 Comfort letters similar to the foregoing shall be provided to the Underwriters with respect to any Supplementary Material (other than in respect of the Preliminary Prospectus) filed at the time the same is presented to the Underwriters for their signature or, if the Underwriters' signature is not required, at the time the same is filed. All such, comfort letters shall be in form and substance satisfactory to the Underwriters and their counsel, acting reasonably.

4. Representations Relating to the Prospectuses and Other Deliveries.

4.1 The delivery by the Corporation to the Underwriters of the Prospectuses and the Supplementary Material shall constitute, on the part of the Corporation a representation and warranty to, and covenant and agreement with, the Underwriters that, at the respective times of such delivery, the information and statements contained therein (except any information and statements which constitute Underwriters' Information, or which are modified by or superseded by information or statements contained in the Prospectus or any Supplementary Material, as the case may be) at the respective dates of delivery thereof are true and correct in all material respects and contain no misrepresentation, and that the Preliminary Prospectus, the Prospectus and any Supplementary Material, as the case may be, constitutes full, true and plain disclosure of all material facts relating to the Corporation and the Offered Shares as of the date of delivery and that no fact or information has been omitted there from which is required to be stated therein or which is necessary to make the statements or information therein not misleading in light of the circumstances in which they were made and that such documents contain in all material respects the disclosure required by, and fully comply and conform in all material respects to the requirements of, the Securities Laws.

4.2 The Corporation consents to the Underwriters' use of the Preliminary Prospectus, the Prospectus and any Supplementary Material for the offering and Distribution of the Offered Shares in compliance with the provisions of this Agreement.

4.3 At any time during the Distribution Period, the Corporation will promptly notify the Underwriters in writing of the full particulars of any of the following (each, a "**Development**"):

(a) any material change, occurrence or development (whether actual, or, to the best of the knowledge, information and belief of the Corporation, anticipated, contemplated or threatened) in or affecting the business, financial condition, affairs, assets, liabilities (contingent or otherwise), operations, revenue, control or capital of the Corporation or the Subsidiaries;

(b) any material change, occurrence or development (whether actual, anticipated, contemplated or threatened) in any matter contained or referred to in the Preliminary Prospectus or the Prospectus or any Supplementary Material, as they exist immediately prior to such change, occurrence or development; or

(c) any material fact or matter which has arisen or has been discovered and would have been required to have been stated in the Preliminary Prospectus, the Prospectus or any Supplementary Material had the fact arisen or been discovered on or prior to the date of the Preliminary Prospectus or the Prospectus, as applicable or any Supplementary Material, respectively,

which Development, in any such case, is, or may be, of such a nature as to render the Preliminary Prospectus, the Prospectus and any Supplementary Material, taken together in their entirety immediately prior to any such Development (collectively, at such time, the "**Current Documents**"), untrue, false or misleading in any material respect or which would result in the Current Documents containing a misrepresentation or which would result in any of the Current Documents not complying with Securities Laws or which Development would reasonably be expected to have a significant effect on the market price or value of the Common Shares.

4.4 In any case described in section 4.3, the Corporation shall promptly, and in any event within any applicable time limitation, comply, to the satisfaction of the Underwriters and their counsel, acting reasonably, with all applicable filing and other requirements arising as a result of a Development under the Securities Laws in the Qualifying Provinces and the rules of the TSX necessary to continue to qualify the Offered Shares for Distribution.

4.5 If during the Distribution Period there is any change in any Securities Laws or other laws which results in any requirement to file Supplementary Material, then the Corporation shall prepare and file, as soon as possible, to the satisfaction of counsel to the Underwriters, acting reasonably, such Supplementary Material with the appropriate Regulatory Authority in each jurisdiction where such filing is required.

4.6 The Corporation shall not file any Supplementary Material without first obtaining the written approval of the Underwriters thereto, not to be unreasonably withheld, (to be evidenced by their signatures thereon, if required) and consulting with the Underwriters and their counsel as to the form and content thereof.

4.7 As soon as practicable and in any event prior to making any filing referred to in sections 4.4 and 4.5, the Corporation shall in good faith discuss with the Underwriters any development or change in circumstances (whether actual, anticipated, contemplated or threatened) or misstatement which is of such a nature that there may be reasonable doubt whether written notice need be given to the Underwriters under the provisions of section 4.3.

5. Commercial Copies.

5.1 The Corporation shall, as soon as possible but in any event not later than 12:00 noon (local time) on February 27, 2007 and within 48 hours after the execution of any Supplementary Material in connection with the Preliminary Prospectus, cause to be delivered to the Underwriters without charge commercial copies of the Preliminary Prospectus or such Supplementary Material in such numbers and in such cities as the Underwriters may reasonably request by oral or written instructions given to the Corporation or the printer not later than 5:00 p.m. (Calgary time) on February 26, 2007 and not later than 12 hours prior to the filing of any Supplementary Material.

5.2 The Corporation shall, as soon as possible but in any event not later than 12:00 noon (local time) on the Business Day immediately following the day on which the Prospectus is filed with the Regulatory Authorities and within 48 hours after the execution of any Supplementary Material in connection with the Prospectus, cause to be delivered to the Underwriter without charge commercial copies of the Prospectus or such Supplementary Material in such numbers and in such cities as the Underwriters may reasonably request by oral or written instructions given to the Corporation or the printer not later than 5:00 p.m. (Calgary time) on the day on which the Prospectus is filed with the Regulatory Authorities in the case of the Prospectus, and not later than 12 hours prior to filing of any Supplementary Material.

5.3 The Corporation shall cause to be provided to the Underwriters such number of copies of any Supplementary Material as the Underwriters may reasonably request for use in connection with the Distribution of the Offered Shares. Each of the Underwriters agrees that it will not, directly or indirectly, use or distribute the Preliminary Prospectus, the

Prospectus or any Supplementary Material, nor offer, sell or deliver any of the Offered Shares in any country or jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and this Agreement.

6. Representations, Warranties and Covenants.

6.1 The Corporation represents and warrants to, and covenants with, the Underwriters (and acknowledges that the Underwriters are relying on such representations, warranties and covenants) as follows:

(a) Status.

(i) Status of Corporation. The Corporation is a corporation duly incorporated, organized and subsisting under the laws of Ontario and has all requisite power, capacity and authority to own its properties and assets and to carry on its business as presently conducted and as will be contemplated in the Prospectus and to enter into and deliver this Agreement and to perform its obligations hereunder.

(ii) Status of Subsidiaries. Each of the Subsidiaries has been duly incorporated or established and organized and is validly existing under the laws of the jurisdiction under which it was incorporated or organized and has all requisite corporate, partnership or trust authority and power to carry on its business, as now conducted and as presently proposed to be conducted by it and to own, lease and operate its properties and assets as will be described in the Prospectus.

(iii) Extra-Jurisdictional Registration. The Corporation and each of the Subsidiaries is duly qualified to transact business in all jurisdictions in which the conduct of its business requires qualification or in which failure to be so qualified would have a material adverse effect on its business taken as a whole.

(b) Authority of the Corporation. The Corporation has full corporate right, power and authority to enter into this Agreement and to perform its obligations set out herein, and this Agreement has been duly authorized, executed and delivered by the Corporation and is a valid and legally binding obligation of the Corporation enforceable against the Corporation in accordance with its terms subject to the general qualifications that such legality, validity, binding effect and enforceability may be limited by:

(i) applicable bankruptcy, reorganization, winding-up, insolvency, moratorium, arrangement or other laws affecting creditors' rights generally;

(ii) equitable remedies, including the remedies of specific performance and injunctive relief, being available only in the discretion of the applicable court;

(iii) the equitable or statutory powers of the courts in Canada having jurisdiction to stay proceedings before them and the execution of judgement; and

(iv) the possibility that rights to indemnity, contribution and waiver under this Agreement and the ability to sever unenforceable terms may be limited or unavailable under applicable law.

(c) Prospectuses. The Corporation has all requisite power, capacity and authority to execute and deliver the Prospectuses and any Supplementary Material and to file such documents with the Regulatory Authorities, and all necessary action has been taken by the Corporation to authorize the execution and delivery of the Prospectuses and any Supplementary Material and the filing of such documents with the Regulatory Authorities.

(d) Financial Information.

(i) Financial Statements. The Financial Statements:

(A) are in accordance with the books, records and accounts of the Corporation;

(B) are complete and correct in all material respects and present fairly, in all material respects the results of operations, cash flows, assets, liabilities and financial position of the Corporation for the periods ended on and as at the dates indicated; and

(C) have been prepared in accordance with GAAP.

(ii) Other Financial Information. The Corporation is not aware of any fact or circumstance presently existing which would render the Financial Information materially incorrect and the Financial Information (other than forward-looking information contained therein) is correct in all material respects and, except as disclosed in the Financial Statements, the Corporation does not have any material debts, liabilities or obligations (absolute, contingent or otherwise, including for taxes) except for potential abandonment and reclamation liabilities in respect of its properties and assets.

(e) Auditor. The Current Auditor meets applicable 'independence' requirements under Securities Laws and there has not been any disagreement with the Current Auditor, the Previous Auditor or any other former auditor of the Corporation.

(f) Internal Accounting Controls. The Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded amount for assets is compared with the current values of such assets at reasonable intervals and appropriate action is taken with respect to any differences.

(g) No Material Change in the Corporation. Except as disclosed in the Prospectus, subsequent to December 31, 2005, there has not been any material change (financial or otherwise) in the business, affairs, assets or liabilities (absolute, accrued, contingent or otherwise), capital or prospects of the Corporation and no event has occurred or circumstance exists which could reasonably be expected to result in such a material change and, since that date, the Corporation has conducted its affairs in the normal course.

(h) Capital of the Corporation. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, of which, as at February 26, 2007, 101,057,648 Common Shares are issued and outstanding as fully paid and non-assessable and no preferred shares are issued and outstanding.

(i) Transfer Agent. Valiant Trust Company at its principal office in Calgary, Alberta and BNY Trust Company of Canada at its principal office in Toronto, Ontario, have been duly appointed as the registrar and transfer agent in respect of the Common Shares.

(j) Exchange Approval. The issued and outstanding Common Shares are listed and posted for trading on the TSX and the Corporation is in compliance with the by-laws, policies, rules and regulations of the TSX and the Corporation has applied to the TSX to have the Offered Shares listed and posted for trading on the TSX.

(k) Securities Laws Consents. Under the Securities Laws, no consent, approval, authorization, order, filing, registration or qualification of or with any court, governmental agency or body or regulatory authority is required, except such as shall have been made or obtained at or before the Closing Time, for the execution, delivery and performance by the Corporation of this Agreement, the sale of the Offered Shares and the consummation by the Corporation of the transactions contemplated herein.

(l) Issuance of Securities by the Corporation. All Offered Shares to be issued by the Corporation hereunder have been duly authorized for issuance and, upon receipt by the Corporation of payment therefor, the Firm Shares will at the Closing Time and the Over-Allotment Shares, if any, will at the Over-Allotment Closing Time, be duly and validly created and issued and will be fully paid and non-assessable and will conform to the description thereof to be contained in the Prospectus. The form of the definitive certificate representing the Common Shares has been duly approved and adopted by the Corporation and complies with the terms and conditions of the constating documents and by-laws of the Corporation and with all legal requirements (including all applicable requirements of the TSX) relating thereto.

(m) No Security Interests.

(i) The Corporation is the registered and beneficial owner of all of the issued and outstanding securities of Scimitar Hydrocarbons Corporation and Petrolease Equipment Ltd.;

(ii) Scimitar Hydrocarbons Corporation is the registered and beneficial owner of all of the issued and outstanding securities of Scimitar Production International Ltd.; and

(iii) Scimitar Production International Ltd. is the registered and beneficial owner of all of the issued and outstanding securities of Scimitar Production Egypt Ltd. and Rally Energy Safed Koh Ltd.,

and in each case, free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever in law or in equity, other than pursuant to the constating documents of each entity and the credit facilities of the Corporation with International Finance Corporation.

(n) Convertible Securities. Except as disclosed in the Prospectus, there are no outstanding securities convertible or exchangeable into any securities or ownership interests of the Corporation, or any agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right for the purchase of any unissued securities of the Corporation except that, as of the date hereof, 7,706,666 Common Shares are reserved for issuance upon the exercise of stock options.

(o) No Defaults. The execution and delivery of this Agreement, the fulfilment of the terms hereof by the Corporation and the issuance, sale and delivery of the Offered Shares as contemplated by this Agreement do not and will not:

(i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, exchange, Regulatory Authority or other regulatory commission or agency or third party, except those that are required under Securities Laws or applicable stock exchange regulations, all of which have been obtained (or will be obtained prior to the Closing Time); or

(ii) result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the provisions of the constating documents or by-laws of the Corporation or any of the Subsidiaries or any resolutions of the directors of the Corporation or any of the Subsidiaries or any committee thereof or any shareholders of the Corporation or any of the Subsidiaries; or

(B) any statute, rule, regulation or law applicable to the Corporation or any of the Subsidiaries including, without limitation, the Securities Laws, or any judgment, order, decree or decision of any governmental or regulatory body, agency, commission, tribunal, court or exchange having jurisdiction over the Corporation or any of the Subsidiaries or any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by the Corporation or any of the Subsidiaries under, or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Corporation or any of the Subsidiaries under, any contract, production sharing contract, concession agreement, indenture, mortgage, hypothec, deed of trust, loan agreement, note, lease, license, franchise agreement, authorization, permit, certificate or other agreement or document to which the Corporation or any of the Subsidiaries is a party or by which it is bound, or to which it or its assets or business is subject (each a, "**Contract**"), which individually or in the aggregate would: (1) have or result in a material adverse effect on the business, financial condition, properties, assets, liabilities (contingent or otherwise), results of operations or prospects of the Corporation and the Subsidiaries (taken as a whole) or impair the sale of the Offered Shares or the consummation of the transactions contemplated hereby or by the Prospectus or any Supplementary Material; (2) materially impair the Corporation's ability to perform the obligations contemplated in this Agreement, the Prospectus and any Supplementary Material; or (3) materially affect the consummation of the transactions contemplated in this Agreement, the Prospectus and any Supplementary Material.

(p) No Restrictions on Distributions. None of the Corporation nor any Subsidiary is currently prohibited, directly or indirectly, from paying any dividends, from making any other distribution on its capital stock, or other securities, or from paying any interest or repaying any loans, advances or other indebtedness of the Corporation or any Subsidiary.

(q) Permits. The Corporation and each of the Subsidiaries holds or will hold at the Closing Time, all permits, by-laws, licences, waivers, exemptions, consents, certificates, registrations, authorizations, approvals, rights, rights of way and entitlements and the like which are required from any governmental or regulatory authority or any other person necessary to conduct its business and activities as currently conducted, the lack of which would have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole), and all such permits, by-laws, licences, waivers, exemptions, consents, certificates, registrations, authorizations, approvals, rights, rights of way and entitlements and the like are in full force and effect in all material respects with no default thereunder other than that which would, individually or in the aggregate, not have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole).

(r) Compliance with Laws. To the best of the knowledge, information and belief of the Corporation, the Corporation and each of the Subsidiaries has conducted and is conducting its activities or business in compliance with all applicable laws, rules and regulations, including without limitation those of each country, state, province and municipality in which it carries on business or conducts its activities, other than that which would, individually or in the aggregate, not have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole).

(s) Title. Other than as disclosed in the Prospectus, although it does not represent or warrant title, the Corporation does not have reason to believe that the Corporation or any of the Subsidiaries does not have good and marketable title to or the right to produce, deliver and obtain the benefit of the sale of the petroleum, natural gas and related hydrocarbons produced by the Corporation ("**Interests**") and does represent and warrant that the Interests are free and clear of adverse claims created by, through or under the Corporation or the Subsidiaries (except pursuant to the credit facilities of the Corporation with International Finance Corporation and those arising in the ordinary course of business, which are not material in the aggregate) and, to the best of the knowledge, information and belief of the Corporation, the Corporation and each of the Subsidiaries holds its Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements.

(t) Reserve Report. The Corporation has made available to D&M, prior to the issuance of the Reserve Report for the purpose of preparing such report all information requested by D&M, which information, to the best of the knowledge, information and belief of the Corporation, did not contain any material misrepresentation at the time such information was so provided. To the best of the knowledge, information and belief of the Corporation there has been no change in any reserve information provided to D&M by the Corporation since the date that such information was so provided which would result in a material adverse change to the quantity or pre-tax present worth value of estimated future net revenue values of the Corporation as set out in the Reserve Report. The Corporation believes that the Reserve Report will, when received by the Corporation, and that the material change report of the Corporation dated February 22, 2007 summarizing the Corporation's reserves at December 31, 2006 does (i) reasonably present the quantity and pre-tax present worth value of estimated future net revenue values of oil and natural gas reserves of the Corporation as at the effective date thereof in respect of the reserves information therein based upon information known to the Corporation in respect of such reserves at the time such report was prepared and the pricing assumptions contained therein, and (ii) comply in all material respects with National Instrument 51-101-Standards of Disclosure for Oil and Gas Activities.

(u) Independent Evaluators. The qualified reserves evaluators who are completing the Reserve Report are independent with respect to the Corporation, within the meaning of the Securities Laws.

(v) Insurance. The Corporation and each of the Subsidiaries is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; none of the Corporation nor any of the Subsidiaries has been refused any insurance coverage sought or applied for; and the Corporation has no reason to believe that it or the Subsidiaries will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their business, in either case, at reasonable cost.

(w) Future Acquisitions, Contingent Obligations. None of the Corporation nor any of the Subsidiaries has entered into any agreement or understanding to acquire any securities in any other corporation or entity or to acquire or lease any other business operations or properties which are material to the business and operations of the Corporation and the Subsidiaries (taken as a whole) or which would require the Corporation or any of the Subsidiaries to make expenditures or incur obligations in any material amount, except as otherwise disclosed in the Prospectus.

(x) No Claims. Except as disclosed in the Prospectus, there is no claim, action, suit, proceeding or investigation (whether or not purportedly on behalf of the Corporation or a Subsidiary) commenced or, to the best of the knowledge of the Corporation, threatened against or affecting the Corporation or any of the Subsidiaries or any of their properties, or to which the Corporation or a Subsidiary is a party or to which any property of the Corporation or any of the Subsidiaries is subject, at law or in equity, or before or by any federal, provincial, state, municipal or other governmental or regulatory department, commission, board or agency, domestic or foreign, which is, or could reasonably be expected to, individually or in aggregate, result in a material adverse effect on the Corporation and the Subsidiaries (taken as a whole), or which questions the validity of any action taken or to be taken by the Corporation or any of the Subsidiaries pursuant to or in connection with, this Agreement or any other transaction or agreement as will be contemplated in the Prospectus.

(y) Taxes. The Corporation and each of the Subsidiaries has duly and on a timely basis filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments and re-assessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any governmental authority to be due and owing, other than such defaults as to filing or payment which would, individually or in the aggregate, not have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole) and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required, and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any of the Subsidiaries and there are no actions, suits, proceedings, investigations or claims pending or, to the best of the knowledge of the Corporation, after due inquiry, contemplated or threatened against the Corporation or any of the Subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority, other than such actions, suits, proceedings, investigations or claims which would, individually or in the aggregate, not have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole).

(z) Environmental Representations.

(i) The Corporation and each of the Subsidiaries is in compliance with all applicable laws, statutes, ordinances, by-laws and regulations and orders, directives and decisions rendered by any ministry, department or administrative or regulatory agency, domestic or foreign (the "**Environmental Laws**") relating to the protection of the environment, occupational health and safety or the processing, use, treatment, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or industrial, toxic or hazardous wastes or substances ("**Hazardous Substances**"), other than such non-compliance which would, individually or in the aggregate, not have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole).

(ii) To the best of the knowledge, information and belief of the Corporation, after due inquiry, there has not occurred any material spills, emissions or pollution on any property of the Corporation or any of the Subsidiaries, or for which the Corporation is or may be responsible, nor is the Corporation or any of the Subsidiaries subject of any outstanding stop orders, control orders, clean-up orders or reclamation orders under applicable environmental laws and regulations.

(iii) The Corporation and each of the Subsidiaries has obtained all material licences, permits, approvals, consents, certificates, registrations and other authorizations under all applicable Environmental Laws (the "**Environmental Permits**") necessary as at the date hereof for the operation of the businesses carried on or proposed to be commenced by the Corporation or any of the Subsidiaries as contemplated in the Prospectus, and each Environmental Permit is valid, subsisting and in good standing and none of the Corporation nor any Subsidiary is in material default or breach of any Environmental Permit and no proceeding is pending or, to the best of the knowledge of the Corporation, after due inquiry, contemplated or threatened to revoke or limit any Environmental Permit.

(aa) No Defaults. No default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach of, by the Corporation or any Subsidiary, any obligation, agreement, covenant or condition contained in any Contract or any of the constating documents or by-laws of the Corporation, other than that which would, individually or in the aggregate, not have a material adverse effect on the Corporation and the Subsidiaries (taken as a whole).

(bb) No Cease Trade Orders. No order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Common Shares or any other securities of the Corporation has been issued or made by any Regulatory Authority or exchange or any other regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the best of the knowledge, information and belief of the Corporation, are contemplated or threatened by any such authority or under any Securities Laws.

(cc) No Labour Disputes. No labour dispute with the employees of the Corporation or any Subsidiary exists or, to the best of the knowledge, information and belief of the Corporation is imminent.

(dd) Reporting Issuer and Compliance with Securities Laws. The Corporation is, or will be, a reporting issuer or the equivalent thereof in each Qualifying Province where such concept exists and is not in default of any requirement under the Securities Laws.

(ee) Public Record. The information and statements set forth in the Public Record were true, correct and complete and did not contain any misrepresentation as of the date of such information or statement, the Corporation has not filed any confidential material change reports still maintained on a confidential basis and there are no undisclosed material facts with respect to the Corporation or the Common Shares.

(ff) Insider Selling. Other than as contemplated by section 7.2(g), to the best of the knowledge, information and belief of the Corporation as at the date of this Agreement, no "insider" (as such term is defined in the *Securities Act* (Alberta)) of the Corporation has the present intention to sell any securities of the Corporation.

(gg) Contracts. Other than as disclosed to the Underwriters in writing, the Corporation is not a party to any contracts of employment which may not be terminated on one month's notice, or such other notice period as is reasonable in the circumstances, or which provide for payments occurring on a change of control of the Corporation.

(hh) No Indemnities. The Corporation is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation and applicable laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business, including operating and similar agreements, indemnification and contribution provision in agency and underwriting agreements and in transfer agency agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person, other than work performance guarantees in respect of the Corporation's Pakistan operations totalling U.S.$405,000.

(ii) No Loans. The Corporation does not have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation.

(jj) No Non-arm's Length Transactions. No officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any associate or affiliate of any such person, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the Corporation's properties or assets or any revenue or rights attributed thereto.

(kk) Voting Agreements. The Corporation is not a party to any agreement which in any manner affects the voting or control of any of the securities of the Corporation.

(ll) No Finder's Fee. Except as provided herein, there is no person, firm or corporation acting for the Corporation entitled to any brokerage or finder's fee payable by on or behalf of the Corporation in connection with this Agreement or any of the transactions contemplated hereunder and in the event any person, firm or corporation acting or purporting to be acting for the Corporation establishes a claim for any commission or brokerage or finder's fee from the Underwriters, the Corporation covenants to indemnify and hold harmless the Underwriters with respect thereto and with respect to all costs reasonably incurred in the defence thereof.

(mm) Intellectual Property. The Corporation and each of the Subsidiaries own or possess the right to use all patents, patent rights, trademarks, trade names, service marks, service names, copyrights, license rights, know-how (including trade secrets and other unpatented and unpatentable proprietary or confidential information, systems or procedures) and other intellectual property rights (the "**Intellectual Property**") necessary to carry on their business in all material respects; none of the Corporation nor any of the Subsidiaries has infringed, or received notice of conflict with, any Intellectual Property of any other person or entity.

(nn) Financial Dealings. To the best of the knowledge, information and belief of the Corporation, none of the Corporation nor any of the Subsidiaries has, directly or indirectly, (a) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction, or (b) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the *Canada Corruption of Foreign Public Officials Act* (Canada) or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to the Corporation or any of the Subsidiaries and their respective operations and have instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation.

(oo) Market Stabilization. The Corporation has not taken nor will take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Shares.

(pp) Minute Books. The minute books of the Corporation are complete and correct in all material respects and contain the minutes of all meetings and all the resolutions of directors (including permanent committees of directors) and shareholders thereof.

(qq) Compliance with Schedule "A" - U.S. Selling Restrictions. The Corporation has complied and will comply with the representations, warranties and covenants of the Corporation set forth in Schedule "A" hereto, which forms part of this Agreement.

7. Closing and Conditions of Closing of Firm Shares.

7.1 The Closing of the purchase and sale of the Firm Shares herein provided for shall be completed at the offices of McCarthy Tétrault LLP in Calgary, Alberta at the Closing Time.

7.2 The obligation of the Underwriters to purchase the Firm Shares shall be conditional on delivery to the Underwriters at or before the Closing Time of:

(a) one or more share certificates representing in the aggregate the total number of Firm Shares registered in such name or names as the Underwriters may direct the Corporation not less that 24 hours prior to the Closing Time;

(b) the requisite legal opinions contemplated by section 8;

(c) comfort letters of the Current Auditor and the Previous Auditor dated the Closing Date and addressed to the Underwriters in form and content satisfactory to the Underwriters and their counsel, bringing the information contained in the comfort letters referred to in section 3.1(d) forward to the Closing Time provided that such comfort letters shall be based on a review by the Current Auditor and the Previous Auditor having a cut-off date not more than two Business Days prior to the Closing Date;

(d) written confirmation in form and substance satisfactory to the Underwriters that the Firm Shares are to be listed and posted for trading on the TSX on the Closing Date;

(e) the certificates contemplated by section 9;

(f) certificates dated the Closing Date signed by appropriate officers of the Corporation, in form and content satisfactory to the Underwriters and counsel to the Underwriters, acting reasonably, certifying with respect to:

   (i) the currently effective constating documents and by-laws of the Corporation and the Subsidiaries;

   (ii) the necessary corporate approvals of the Corporation relevant to the Preliminary Prospectus, the Prospectus, the offering of the Firm Shares and this Agreement;

   (iii) the incumbency and signatures of signing persons of authority and officers of the Corporation; and

   (iv) with respect to such other matters as the Underwriters may reasonably request;

(g) the Corporation shall have used its commercially reasonable best efforts to cause each of the directors and officers of the Corporation to have entered into an agreement in form and substance satisfactory to, and in favour of, WWCM, whereby they shall have agreed that during the Blackout Period (i) no director or officer of the Corporation shall exercise more than 30% of the aggregate number of stock options of the Corporation held by them on the date hereof; (ii) any sale of Common Shares by directors and officers of the Corporation must be coordinated through and agreed upon by WWCM; and (iii) the aggregate sum of exercised stock options of the Corporation for all directors and officers of the Corporation shall not exceed 1.5 million Common Shares; and

(h) such further documentation from the Corporation as may be contemplated herein or as the Underwriters or their counsel may reasonably request, provided however that the Underwriters or their counsel shall request such documentation within a reasonable period prior to the Closing Time that is sufficient for the Corporation to obtain and deliver such documentation,

against payment by WWCM, on behalf of the Underwriters, of the aggregate purchase price for the Firm Shares net of the fees and expenses payable to the Underwriters pursuant hereto, by delivery of a certified cheque, bank draft or wire or electronic funds transfer in immediately available Canadian dollars payable on a same day basis at par in the City of Calgary to the Corporation or as the Corporation may otherwise direct the Underwriters in writing not less than 48 hours prior to the Closing Time.

8. Legal Opinions.

8.1 At the Closing Time, the Corporation shall have caused favourable legal opinions dated the Closing Date to be delivered (in sufficient copies for the Underwriters and their counsel) to the Underwriters by the Corporation's counsel, McCarthy Tétrault LLP (who may rely, to the extent appropriate in the circumstances, on the opinions of local counsel (acceptable to them and to counsel for the Underwriters) as to the qualification of the Offered Shares for sale to the public in, and as to other matters governed by the laws of, jurisdictions other than the Provinces of Alberta, British Columbia and Ontario and may rely, to the extent appropriate in the circumstances and solely as to matters of fact not independently established, on certificates or statutory declarations of officers of the Corporation and of public and stock exchange officials) with respect to such matters as the Underwriters or their counsel may reasonably request relating to the offering of the Offered Shares and the Corporation in form and substance acceptable to counsel to the Underwriters, acting reasonably, including without limitation opinions substantially to the effect that:

(a) the Corporation has been duly incorporated and organized and is validly existing as a corporation under the laws of the Province of Ontario;

(b) the Corporation has the capacity and power to own and lease its properties and assets and to conduct its business as presently conducted and as described in the Prospectus;

(c) the Corporation and the attributes and characteristics of the Offered Shares conform in all material respects with the descriptions thereof in the Prospectus;

(d) the Corporation is authorized to issue an unlimited number of Common Shares and, other than as disclosed in the Prospectus, as far as such counsel is aware, there are no options, warrants, conversion privileges or other rights or agreements for the purchase of any unissued securities in the Corporation;

(e) the form of the definitive certificate representing the Common Shares has been duly approved and adopted by the Corporation and complies with the terms and conditions of the constating documents of the Corporation and with all legal requirements relating thereto;

(f) the TSX has approved the listing of the Offered Shares on the TSX, subject only to the filing of documents;

(g) the Corporation is a "reporting issuer" in Alberta and is not included in a list of defaulting reporting issuers maintained by the Alberta Securities Commission and has a similar status under the Securities Laws of each of the Qualifying Provinces where such a concept exists;

(h) Valiant Trust Company at its principal office in Calgary, Alberta and BNY Trust Company of Canada at its principal office in Toronto, Ontario, have been duly appointed as the transfer agent and registrar for the Common Shares (including without limitation the Offered Shares);

(i) the Offered Shares have been validly created, allotted and issued and are fully paid and non-assessable;

(j) the Corporation has the necessary corporate power and authority to execute and deliver the Prospectus and any Supplementary Material and to file such documents with the Regulatory Authorities and all necessary action has been taken by the Corporation to authorize the execution and delivery by it of the Prospectus and any Supplementary Material and the filing thereof in each of the Qualifying Provinces under Securities Laws;

(k) the Corporation has the necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to carry out the transactions contemplated hereby and by the Prospectus (including to sell the Offered Shares) and this Agreement has been duly authorized, executed and delivered by the Corporation and is a legal, valid and binding obligation of the Corporation and enforceable against the Corporation in accordance with its terms (subject to reasonable opinion qualifications in respect of transaction of this sort);

(l) the execution and delivery by the Corporation of this Agreement, the fulfilment of the terms hereof by the Corporation, and the completion of the transactions contemplated herein and the issuance, sale and delivery of securities as contemplated by the Prospectus do not and will not:

(i) as far as such counsel is aware, require the consent, approval, authorization, order, filing, registration or qualification of or with any court, governmental authority, exchange, Regulatory Authority or other regulatory commission or agency except those that have been obtained; or

(ii) result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the provisions of the constating documents or by-laws of the Corporation or, of which counsel is aware, the Subsidiaries or any resolutions of the directors of the Corporation or, of which counsel is aware, the Subsidiaries or any committee thereof or any shareholders of the Corporation or, of which counsel is aware, the Subsidiaries;

(B) any statute, rule, regulation or law applicable to the Corporation or any of the Subsidiaries or, to such counsel's knowledge, any judgment, order, decree or decision of any governmental or regulatory body, agency, commission, tribunal, court or exchange having jurisdiction over the Corporation or any of the Subsidiaries;

(C) to such counsel's knowledge, and except as stated in such opinion, any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by the Corporation or any of the Subsidiaries under, or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the Corporation under, any Contract;

(m) the Offered Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds and deferred profit sharing plans;

(n) all necessary documents have been filed, all necessary proceedings have been taken and all other legal requirements have been fulfilled under the laws of Canada and each of the Qualifying Provinces in order to qualify the Distribution of the Offered Shares in each of the Qualifying Provinces through investment dealers or brokers registered under applicable legislation of the Qualifying Provinces who have complied with the relevant provisions of such legislation;

(o) such other matters as the Underwriters or their counsel may reasonably request.

8.2 At the Closing Time, the Underwriters shall have received from their counsel (who may rely on the opinions of counsel to the Corporation and on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than the Province of Alberta) such opinions with respect to the offering of the Offered Shares as the Underwriters may reasonably require and are customary in transactions of this kind.

8.3 At the Closing Time, if requested, there shall be delivered (in sufficient copies for the Underwriters and their counsel) to the Underwriters a favourable legal opinion dated the Closing Date in form and substance satisfactory to the Underwriters and their counsel, acting reasonably, of Dorsey & Whitney LLP, the Corporation's special United States counsel, addressed to the Underwriters and their counsel, to the effect that no registration under the United States Securities Act of 1933, as amended, is required for the initial resale by the Underwriters of certain of the Offered Shares in the United States, as contemplated herein and in accordance with the procedures, agreements and representations contained herein.

9. <u>Officers' Certificates.</u>

9.1 The Underwriters shall have received at the Closing Time and the Over-Allotment Closing Time, if applicable, a certificate dated the Closing Date or Over-Allotment Closing Date, as applicable, addressed to the Underwriters and signed by the Chief Executive Officer and Chief Financial Officer of the Corporation (or two other senior officers of the Corporation acceptable to the Underwriters), for and on behalf of the

Corporation, which certificates shall certify, to the best of the knowledge, information and belief of the persons signing such certificates after having made reasonable enquiries and examined the Prospectus and, if applicable, any Supplementary Material that:

(a) the Corporation has complied with all covenants and satisfied all terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Closing Time or Over-Allotment Closing Time, as applicable;

(b) since the respective dates as of which information is given in the Prospectus and except as may have been the subject of Supplementary Material filed with the relevant Regulatory Authorities, there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise), and no change of any material fact or new material fact, in the business, financial condition, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation from that disclosed in the Prospectus;

(c) the representations and warranties of the Corporation contained herein including those arising by delivery of documents hereunder are true and correct as of the Closing Time or Over-Allotment Closing Time, as applicable, with the same force and effect as if made at and as of the Closing Time or Over-Allotment Closing Time, as applicable, except for such representations and warranties which are made as of a specific date other than the Closing Date or Over-Allotment Closing Date, as applicable;

(d) no order, ruling or determination having the effect of ceasing, suspending or restricting trading in any Common Shares or the sale of the Offered Shares has been issued and no proceedings, investigations or inquiry for such purpose are commenced or, to the best of the knowledge, information and belief of the declarants, contemplated or threatened;

(e) except as disclosed in the Prospectus or Supplementary Material, if any, there are no actions, suits, proceedings, inquiries, compliance orders or directives commenced or, to the best of the knowledge, information and belief of the declarants, threatened in respect of the transactions contemplated hereunder;

(f) except as disclosed in the Prospectus or Supplementary Material, if any, no material default exists, or as a result of the sale of the Offered Shares will exist, under any instrument or agreement securing any indebtedness of or otherwise relating to the Corporation or any of the Subsidiaries and no event which, with the giving of notice, the passage of time or the making of any determination, would constitute an event of default under any such instrument or agreement has occurred and is continuing which would be material to the Corporation or any of the Subsidiaries (taken as a whole);

(g) the Corporation and each of the Subsidiaries is duly qualified to transact business in all jurisdictions in which the conduct of its business requires qualification or in which failure to be so qualified would have a material adverse effect on its business taken as a whole; and

(h) since the respective dates as of which information is given in the Prospectus and Supplementary Material, no transaction material to the Corporation has been entered into or is pending by the Corporation which is not disclosed therein,

and as to such other matters as the Underwriters may reasonably request.

10. <u>Closing and Conditions of Closing of Over-Allotment Shares.</u>

10.1 The Closing of the purchase and sale of the Over-Allotment Shares herein provided for shall be completed at the offices of McCarthy Tétrault LLP in Calgary, Alberta at the Over-Allotment Closing Time.

10.2 If the Over-Allotment Closing Time is the same as the Closing Time, references to the Firm Shares in section 7 shall, unless the context otherwise requires, refer to the Firm Shares and the Over-Allotment Shares, collectively. If the Over-Allotment Closing Time is after the Closing Time, the obligation of the Underwriters to purchase the Over-Allotment Shares shall be conditional on delivery to the Underwriters at or before the Over-Allotment Closing Time of:

(a) one or more certificates representing in the aggregate the total number of Over-Allotment Shares sold hereunder registered in such name or names as the Underwriters may direct the Corporation not less that 24 hours prior to the Over-Allotment Closing Time;

(b) legal opinions bringing the legal opinions contemplated by section 8 forward to the Over-Allotment Closing Date and making such opinions applicable to the Over-Allotment Shares, *mutatis mutandis*;

(c) comfort letters of the Current Auditor and the Previous Auditor dated the Over-Allotment Closing Date and addressed to the Underwriters in form and content satisfactory to the Underwriters and their counsel, bringing the information contained in the comfort letters referred to in section 3.1(d) forward to the Over-Allotment Closing Time provided that such comfort letters shall be based on a review by the Current Auditor and the Previous Auditor having a cut-off date not more than two Business Days prior to the Over-Allotment Closing Date;

(d) the certificates contemplated by section 9;

(e) certificates dated the Over-Allotment Closing Date signed by appropriate officers of the Corporation, in form and content satisfactory to the Underwriters and counsel to the Underwriters, acting reasonably, certifying with respect to:

(i) the currently effective constating documents and by-laws of the Corporation and the Subsidiaries;

(ii) the necessary corporate approvals of the Corporation relevant to the Preliminary Prospectus, the Prospectus, the offering of the Offered Shares and this Agreement;

(iii) the incumbency and signatures of signing persons of authority and officers of the Corporation; and

(iv) with respect to such other matters as the Underwriters may reasonably request; and

(f) such further documentation from the Corporation as may be contemplated herein or as the Underwriters or their counsel may reasonably request, provided however that the Underwriters or their counsel shall request such documentation within a reasonable period prior to the Over-Allotment Closing Time that is sufficient for the Corporation to obtain and deliver such documentation,

against payment by WWCM, on behalf of the Underwriters, of the aggregate purchase price for the Over-Allotment Shares sold, net of the fees and expenses payable to the Underwriters pursuant hereto, by delivery of a certified cheque, bank draft or wire or electronic funds transfer in immediately available Canadian dollars payable on a same day basis at par in the City of Calgary to the Corporation or as the Corporation may otherwise direct the Underwriters in writing not less than 48 hours prior to the Over-Allotment Closing Time.

11. Sales Restrictions.

11.1 The Underwriters shall offer the Offered Shares for sale to the public, directly and through other duly qualified investment dealers and brokers (the Underwriters, together with such other investment dealers and brokers, are referred to herein as the "**Selling Firms**"), only as permitted by Securities Laws and upon the terms and conditions set forth in the Prospectuses and in this Agreement, at an offering price not exceeding the offering price set forth on the cover page of the Prospectus. The Underwriters shall not solicit offers to purchase or sell the Offered Shares so as to require registration of the Offered Shares or filing of a prospectus with respect to the Offered Shares under the laws of any jurisdiction other than the Qualifying Provinces. The Selling Firms shall be permitted to offer the Offered Shares outside of Canada, including, without limitation, offers as principal to "qualified institutional buyers" in the United States as defined under U.S. Securities and Exchange Commission Rule 144A, if such offers are made in compliance with all applicable laws, including the requirements set forth in Schedule "A". For the purposes of this paragraph, the Underwriters shall be entitled to assume that the Offered Shares are qualified or registered for distribution by duly qualified investment dealers and brokers under the Securities Laws of those Qualifying Provinces where a receipt or similar document for the Prospectus shall have been obtained from the applicable Regulatory Authority (including a decision document under the MRRS Procedures) following the filing of the Prospectus, unless otherwise notified in writing.

11.2 Each of the Underwriters agrees, on behalf of itself and its United States affiliates, for the benefit of the Corporation, to comply with the United States selling restrictions set forth in Schedule "A", which forms part of this Agreement. They also agree to obtain such an agreement from each Selling Firm.

11.3 Notwithstanding the foregoing provisions of this section 11, no Underwriter shall be liable to the Corporation under this section 11 or Schedule "A" as a result of the violation by another Underwriter or Selling Firm (other than Selling Firm affiliates of such Underwriter) under this section 11 or Schedule "A" if the Underwriter first mentioned is not itself in violation.

12. Market Stabilization.

12.1 Each of the Underwriters agrees and will require each of the other Selling Firms and their respective affiliates to agree, in connection with the offer and sale of the Offered Shares, to comply with all applicable Securities Laws. In connection with the Distribution, the Underwriters and members of the other Selling Firms (if any) may effect transactions which stabilize or maintain the market price of the Common Shares at levels above those which might otherwise prevail in the open market, in compliance with Securities Laws. Those stabilizing transactions, if any, may be discontinued at any time.

13. Indemnification by the Corporation.

13.1 The Corporation shall fully indemnify and save harmless each of the Underwriters, each of their respective affiliates and each of their respective directors, officers, shareholders, employees and agents and each person who controls any Underwriter (collectively, the "**Indemnified Parties**" and individually an "**Indemnified Party**") from and against any and all losses (other than loss of profit), costs, expenses, claims, demands, actions, complaints, damages, fines, penalties, taxes, interest and liabilities, joint or several, including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the fees and expenses of the Indemnified Parties' counsel on a solicitor and his own client basis that may be incurred in advising with respect to or defending any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or in enforcing this indemnity (each a "**Claim**" and, collectively, the "**Claims**") to which any Indemnified Party may become subject or otherwise involved or which any Indemnified Party may suffer or incur, in any capacity, insofar as Claims relate to, are caused by, result from, arise out of or are based upon, directly or indirectly, the engagement and activities of the Underwriters under this Agreement, including without limitation:

(a) any breach of, default under or failure to perform or fulfill any representation, warranty or covenant or agreement of the Corporation, in this Agreement or any other document to be delivered pursuant hereto;

(b) any information or statement (that does not constitute Underwriters' Information) contained in this Agreement, the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other material or document filed under any

Securities Laws or delivered by or on behalf of the Corporation thereunder or pursuant to this Agreement which at the time and in the light of the circumstances under which it was made contains or is alleged to contain a misrepresentation or is or is alleged to be untrue, false or misleading;

(c) any omission or alleged omission to state in the Preliminary Prospectus, the Prospectus, any Supplementary Material, or any other material or document filed under any Securities Laws or delivered by or on behalf of the Corporation thereunder or pursuant to this Agreement, any fact or information other than Underwriters' Information, whether material or not, required to be stated therein or necessary to make any statement therein not misleading in light of the circumstances under which it was made;

(d) any order made or any inquiry, investigation or proceeding commenced or threatened by any court, governmental agency or body or regulatory authority, arbitrator, administrative tribunal or stock exchange based upon any actual or alleged untrue statement, omission or misrepresentation (not relating solely to Underwriters' Information) in the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other material or document filed or delivered by the Corporation under any Securities Laws or pursuant to this Agreement (except any material or document delivered or filed solely by the Underwriters) or based upon any failure to comply with Securities Laws (other than any failure or alleged failure to comply solely by the Underwriters) which prevents or restricts the trading in or the sale or distribution of the Common Shares or any of them or any other securities of the Corporation in any of the Qualifying Provinces; or

(e) the non-compliance or alleged non-compliance by the Corporation with any requirements of the Securities Laws, or the by-laws, rules and regulations of the TSX, as applicable to the Corporation, including the Corporation's non-compliance with any requirement to make any document available for inspection.

Notwithstanding the foregoing provisions of this section 13.1, no party who has engaged in any fraud, fraudulent misrepresentation, wilful misconduct or default or gross negligence shall be entitled, to the extent that the liabilities, claims, losses, costs, damages or expenses were caused by such activity, to claim indemnification from any person who has not engaged in such fraud, fraudulent misrepresentation, wilful default or gross negligence.

13.2 If any claim is asserted against any of the Indemnified Parties, or if any potential Claim contemplated by this section 13 shall come to the knowledge of any Indemnified Party, the Indemnified Party concerned shall notify the Corporation as soon as possible of the nature of such Claim (provided that any failure to so notify shall not affect the Corporation's liability under this section 13 except and only to the extent that the Corporation demonstrates that any failure to so notify in respect to an actual Claim materially prejudiced the defence of such Claim by the Corporation) and the Corporation shall, subject as hereinafter provided, be entitled (but not required) at its expense to assume the defence of any suit brought to enforce such Claim; provided, however, that the defence shall be conducted through legal counsel acceptable to the Indemnified Party, acting reasonably, and that no admission of liability or settlement of any such Claim may be made by the Corporation or the Indemnified Party without, in each case, the prior written consent of all the affected parties hereto, such consent not to be unreasonably withheld.

13.3 In respect of any such Claim, an Indemnified Party shall have the right to retain separate or additional counsel to act on his or her or its behalf and participate in the defence thereof, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless:

(a) the Corporation does not assume the defence of such suit on behalf of the Indemnified Party within ten Business Days of the Corporation receiving notice of such Claim;

(b) the Corporation and the Indemnified Party shall have mutually agreed to the retention of the other counsel; or

(c) the named parties to any such Claim (including any added third or interpleaded party) include both the Indemnified Party, on the one hand, and the Corporation, on the other hand, and the Indemnified Party shall have been advised by its counsel that representation of both parties by the same counsel would be inappropriate due to the actual or potential differing interests between them.

In each of cases (a), (b) or (c), the Corporation shall not have the right to assume the defence of such Claim but shall be liable to pay the reasonable fees and expenses of counsel for the Indemnified Party provided that the Corporation shall not, in connection with any one such action or separate but substantially similar related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate law firm (in addition to any local counsel) for all such Indemnified Parties.

13.4 If any legal proceedings shall be instituted against the Corporation or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation and, in either case, any Indemnified Party is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Underwriters hereunder, the Indemnified Parties may employ their own legal counsel and the Corporation shall pay and reimburse the Indemnified Parties for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Parties in connection with such proceedings or investigation and a fee at the normal *per diem* rate for any director, officer or employee of the Underwriters involved in the preparation for or attendance at such proceedings or investigation.

13.5 With respect to any of its related Indemnified Parties who are not parties to this Agreement, the Underwriters shall obtain and hold the rights and benefits of this section 13 and section 14 in trust for and on behalf of such Indemnified Parties and the

Underwriters agree to accept such trust and to hold the benefit of and enforce performance of such covenants on behalf of such persons.

13.6 The rights of indemnity contained in this section 13 in respect of a Claim based on a misrepresentation or omission or alleged misrepresentation or omission in the Prospectus shall not apply if the Corporation has complied with sections 4 and 5 and where it is determined by a court of competent jurisdiction by final and non-appealable judgement that the person asserting such Claim was not provided with a copy of the Supplementary Material (if required under the Securities Laws to have been so delivered to such person by the Underwriter) which corrects such misrepresentation or omission or alleged misrepresentation or omission, if such claim would have no basis had such delivery been made.

13.7 The rights and remedies of the Underwriters set forth in sections 13, 14 and 18 are to the fullest extent possible in law cumulative and not alternative and the election by an Underwriter to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any of the other of such rights and remedies.

14. Contribution.

14.1 In order to provide for just and equitable contribution in circumstances in which the indemnity provided in section 13 would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Underwriters or any Indemnified Party or enforceable otherwise than in accordance with its terms, or is insufficient to hold any Indemnified Party harmless, the Corporation shall contribute to the aggregate of all liabilities, claims, actions, complaints, losses (other than loss of profits), costs (including without limitation legal fees and disbursements on a solicitor and his own client basis), fines, penalties, taxes, interest, damages or expenses of the nature contemplated in section 13 and suffered or incurred by the Indemnified Parties:

(a) in such proportion as is appropriate to reflect the relative benefits received by the Corporation on the one hand and the Underwriters on the other hand from the Offering of the Offered Shares; or

(b) if the allocation provided by clause (a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (a) above but also the relative fault of the Corporation on the one hand and the Underwriters on the other hand in connection with the Claim, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the Offering (net of the Underwriting Fee but before deducting expenses) received by the Corporation is to the Underwriting Fee received by the Underwriters. The relative fault of the Corporation on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the information, statement, omission, misrepresentation, order, enquiry, investigation or other matter or thing referred to in section 13 which resulted in such Claim relates to information supplied by or steps or actions taken or done by or on behalf of the Corporation or to information supplied by or steps or actions taken or done by or on behalf of the Underwriters and the relative intent, knowledge, access to information and opportunity to correct or prevent such statement, omission or misrepresentation referred to in section 13. However, no party who has engaged in any fraud, fraudulent misrepresentation, wilful default or gross negligence shall be entitled, to the extent that the liabilities, claims, losses, costs, damages or expenses were caused by such activity, to claim contribution from any person who has not engaged in such fraud, fraudulent misrepresentation, wilful default or gross negligence.

14.2 The rights to contribution provided in this section 14 shall be in addition to and not in derogation of any other right to contribution which the Underwriters may have by statute or otherwise at law, and shall remain operative and in full force and effect regardless of:

(a) any investigation made by or on behalf of the Underwriters;

(b) acceptance of any Offered Shares and payment thereof; or

(c) any termination of this Agreement.

14.3 In the event that the Corporation may be held to be entitled to contribution from the Underwriters pursuant to section 14.1 or under the provisions of any statute or at law, the Corporation shall be limited to receiving contribution in an aggregate amount not exceeding the lesser of:

(a) the portion of the full amount of the loss or liability giving rise to such contribution for which the Underwriters are responsible, as determined in section 14.1; and

(b) the amount of the Underwriters' fee actually received by the Underwriters hereunder minus the aggregate of any amounts paid or payable by the Underwriters by way of contribution to any other person hereunder.

14.4 If an Indemnified Party has reason to believe that a claim for contribution may arise, it shall give the Corporation notice thereof in writing as soon as reasonably possible, but failure to notify the Corporation shall not relieve the Corporation of any obligation they may have to the Underwriters under this section 14 except to the extent that the failure materially prejudices the Corporation.

14.5 The Corporation hereby irrevocably waives its right, whether by statute, common law or otherwise, to recover contribution from any Indemnified Party with respect to any liability of the Corporation by reason of or arising from any misrepresentation contained in the Preliminary Prospectus, the Prospectus or any Supplementary Material, provided however that such waiver shall not apply in respect of liability caused or incurred by reason of or arising from:

(a) any misrepresentation which is based upon or results from Underwriters' Information contained in such document; or

(b) any failure by the Underwriters to provide to prospective purchasers of the Offered Shares any document which the Corporation is required to provide to such prospective purchasers and which the Corporation has provided to the Underwriters in sufficient numbers to provide to such prospective purchasers.

15. Expenses.

15.1 Whether or not the public offering of the Offered Shares is completed, the Corporation shall be responsible for all of the costs in connection with the proposed public offering, including without limitation the fees and expenses of counsel to the Corporation (including fees and expenses incurred by such counsel in connection with discussions with and opinions to the Underwriters and their counsel as part of the Underwriters' due diligence investigations), auditors, engineers, transfer agents and outside consultants, filing fees, the costs and expenses of qualifying the Prospectuses in each of the Qualifying Provinces, the preparation of audio-visual or other material for marketing presentations and information meetings, out-of-pocket costs related to travel and accommodations for the Corporation's executives and the representatives of the Underwriters attending such presentations and meetings and the cost of preparing record books for all of the parties to this Agreement and their respective counsel and all other reasonable out-of-pocket expenses incurred by the Underwriters, including fees and expenses of the Underwriters' counsel (such fees of the Underwriters’ counsel not to exceed $60,000 exclusive of GST and disbursements). Notwithstanding the foregoing, the fees and expenses of counsel to the Underwriters and out-of-pocket expenses incurred by the Underwriters shall be paid by the Underwriters if the sale of the Firm Shares or the Over-Allotment Shares, to the extent that the Over-Allotment Option is exercised, is not completed due to any failure on the part of the Underwriters to comply with the terms of this Agreement.

16. Covenants of the Underwriters.

16.1 The Underwriters shall:

(a) give prompt notice to the Corporation and, in any event, on or before March 29, 2007, when, in the opinion of the Underwriters, the Distribution of the Offered Shares has ceased;

(b) as soon as practicable and, in any event, within 30 days of the end of the Distribution Period, provide to the Corporation a breakdown of the number of Offered Shares sold in each jurisdiction where such information is required for the purpose of calculating filing fees payable; and

(c) notify promptly (and in any event within 90 days of the date of this Agreement) each Regulatory Authority, where required, of the number of Offered Shares sold in the relevant Qualifying Province.

17. <u>Nature and Survival of Representations, Warranties, Covenants and Indemnity.</u>

17.1 All representations, warranties, covenants, obligations and agreements of the Corporation herein contained or contained in documents submitted or delivered pursuant to this Agreement shall survive the purchase by the Underwriters of the Offered Shares and shall continue in full force and effect unaffected by any subsequent disposition by the Underwriters of the Offered Shares or any of them and regardless of any examination or investigation which the Underwriters may carry out or which may be carried out on their behalf.

18. <u>Termination Rights.</u>

18.1 The obligation of the Underwriters to purchase the Firm Shares and the Over-Allotment Shares, if any, shall be subject to the accuracy as of the Closing Time and Over-Allotment Closing Time, respectively, of the representations and warranties of the Corporation contained herein or in any certificate or document delivered pursuant to or contemplated by this Agreement and the due fulfilment and compliance by the Corporation of and with its covenants herein and therein contained.

18.2 All representations, warranties, terms and conditions of this Agreement, other than those which expressly provide for an obligation of the Underwriters, shall be construed as conditions inserted for the benefit of the Underwriters. Any breach of, default under or non-compliance with any such representation, warranty, term or condition by the Corporation which, individually or in the aggregate, in the opinion of the Underwriters, has or would be expected to have or result in a material adverse change in the business, affairs or financial condition of the Corporation or on the Underwriters ability to resell the Offered Shares, shall entitle any of the Underwriters, without limitation of any other remedies of the Underwriters, to terminate such Underwriter's obligation to purchase the Firm Shares by giving written notice to that effect to the Corporation at or prior to the Closing Time and to terminate such Underwriters' obligation to purchase Over-Allotment Share, if any, by giving written notice to that effect to the Corporation at or prior to the Over-Allotment Closing Time. The Underwriters may waive, in whole or in part, or extend the time for compliance with, any such representation, warranty, term or condition without prejudice to the rights of the Underwriters in respect of any other such representation, warranty, term or condition or any other or subsequent breach, default or non-compliance with that or any other representation, warranty, term or condition, provided that to be binding on the Underwriters any such waiver or extension must be in writing. No act of the Underwriters in offering the Offered Shares or in preparing or joining in the execution of the Prospectuses or any Supplementary Material shall constitute a waiver of, or estoppel against, the Underwriters.

18.3 In addition to any other remedies which may be available to the Underwriters, any Underwriter shall be entitled, at the Underwriter's option, to terminate and cancel, without any liability on the Underwriter's part, the Underwriter's obligation to purchase the Firm Shares by written notice to that effect given to the Corporation at or prior to the Closing Time, and to terminate its obligation to purchase the Over-Allotment Shares, if any, by written notice to that effect given to the Corporation at or prior to the Over-Allotment Closing Time, if:

(a) any purchasers of Offered Shares in the Qualifying Provinces would be subject to a hold period of any length under applicable Securities Laws;

(b) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the Distribution of the Offered Shares is made, or any proceeding is announced or commenced for the making of any such order, by any securities regulatory authority, any stock exchange or by any other competent authority, and has not been rescinded, revoked or withdrawn;

(c) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, threatened or announced or any order or ruling is issued under or pursuant to any statute of Canada or any of the Qualifying Provinces, or of the United States or any state thereof or by any official of any stock exchange or by any other regulatory authority having jurisdiction over a material portion of the business and affairs of the Corporation or any of the Subsidiaries or there is any change of law, or the interpretation, pronouncement or administration thereof or in respect thereof, which in the opinion of the Underwriter may prevent or operates to delay, prevent or restrict the Distribution of, trading in, or marketability of, the Offered Shares or the trading in any other securities of the Corporation;

(d) there should develop, occur or come into effect or existence any event, action, or occurrence of national or international consequence, any governmental law or regulation, state, condition or major financial occurrence, including any act of terrorism, war or like event, or other occurrence of any nature, which, in the Underwriter's reasonable opinion, materially adversely affects, or may materially adversely affect, the financial markets in Canada or the United States or the business, financial condition, operations or affairs of the Corporation and the Subsidiaries (taken as a whole) or prevents or materially restricts the trading in or the distribution of the Offered Shares in the Qualifying Provinces or the United States;

(e) there is a suspension or material limitation in trading in securities generally on the TSX;

(f) there is a material disruption in the commercial banking or securities settlement or clearance services in Canada or the United States;

(g) there shall occur or be discovered any event or change (actual, imminent or reasonably expected), or any development including a prospective event or change, financial or otherwise, in the business, financial condition, affairs, operations, assets, liabilities (contingent or otherwise) or capital or ownership of the Corporation or any of the Subsidiaries or there should be discovered any previously undisclosed material fact required to be disclosed in the Prospectus or

Supplementary Material or required to be disclosed therein to prevent any statement contained therein from being a misrepresentation or there should occur a change (other than a change related solely to and provided by any of the Underwriters) in a material fact contained in the Prospectus, in each case, which, in the Underwriter's opinion, could reasonably be expected to have a significant adverse effect on the market price or value of the Common Shares or could reasonably result in the purchasers of a material number of Offered Shares exercising their right under Securities Laws to withdraw from or rescind their purchase or sue for damages in respect thereof; or

(h) the Underwriters shall become aware as a result of their due diligence review or otherwise of any material adverse change or material adverse fact with respect to the Corporation which existed prior to the date hereof and had not been publicly disclosed prior to the date hereof.

18.4 If an Underwriter shall elect to terminate its obligation to purchase the Offered Shares as aforesaid, whether the reason for such termination is within or beyond the control of the Corporation the liability of the Corporation hereunder with respect to such Underwriter shall be limited to the indemnity referred to in section 13, the contribution rights referred to in section 14 and the payment of expenses referred to in section 15.

18.5 The rights of termination contained in this section 18 may be exercised by any Underwriter acting alone and are in addition to any other rights or remedies the Underwriters or any of them may have in respect of any of the matters contemplated by this Agreement or otherwise. Any such termination shall not discharge or otherwise affect any obligation or liability of the Corporation provided herein or prejudice any other rights or remedies any party may have as a result of any breach, default or non-compliance by any other party. A notice of termination given by an Underwriter under this section 18 shall not be binding upon any other Underwriter.

18.6 The execution of any Supplementary Material (including without limitation an amendment to the Preliminary Prospectus or the Prospectus) in respect of any material change and the continued offering of the Offered Shares thereafter by the Underwriters shall not constitute a waiver of the Underwriters' rights under this section 18.

19. Notification.

19.1 The Corporation shall advise WWCM promptly of any request made at any time prior to the end of the Distribution Period by any Regulatory Authority or the TSX for any Supplementary Material or for any additional information, of the issuance by any such Regulatory Authority or the TSX of any cease trading or stop order relating to the Offered Shares or any other securities of the Corporation or order preventing or suspending the use of the Prospectuses relating to the Offered Shares or the qualification of the Offered Shares for offering or sale, in any jurisdiction, or of the institution or threat to its knowledge of institution of any proceedings for that purpose or of the receipt by the Corporation of any written communication from any such Regulatory Authority or the TSX relating to the Prospectuses, any Supplementary Material or the offering or sale of

Offered Shares. The Corporation shall use all commercially reasonable efforts to prevent the issuance of any such cease trading or stop order or other order and, if issued, to obtain the withdrawal or lifting thereof as soon as possible.

19.2 During the Distribution Period, the Corporation shall provide to the Underwriters on a timely basis, for review by the Underwriters and their counsel prior to filing, any proposed document, including without limitation any Supplementary Material and any annual information form, press release, material change report or information circular, which may be required to be filed by any Regulatory Authority or the TSX.

20. Obligations of the Underwriters.

20.1 Subject to the terms and conditions of this Agreement, the obligations of the Underwriters to purchase the Firm Shares and, if applicable the Over-Allotment Shares to the extent the Over-Allotment Option is exercised, shall be several and not joint in that each Underwriter shall be obligated to purchase only the percentage of the Firm Shares and, if applicable the Over-Allotment Shares to the extent the Over-Allotment Option is exercised, set out opposite its name below:

Wellington West Capital Markets Inc.	50%
Westwind Partners Inc.	30%
D&D Securities Company	5%
Jennings Capital Inc.	5%
MGI Securities Inc.	5%
Tristone Capital Inc.	5%

20.2 Subject to sections 7 and 18 hereof, if at the Closing Time, or the Over-Allotment Closing Time, as applicable, any one or more of the Underwriters fail or refuse to purchase its respective percentage of the Firm Shares or Over-Allotment Shares, respectively, and the percentage of the total number of Firm Shares, or Over-Allotment Shares, if applicable, which one or more of the Underwriters has failed or refused to purchase is less than or equal to 5% of the total number of Firm Shares, or Over-Allotment Shares, if applicable, which the Underwriters have agreed to purchase, the remaining Underwriters shall be obligated severally to purchase such Firm Shares, or Over-Allotment Shares, if applicable, which the defaulting Underwriter or Underwriters have failed to purchase, in the proportion that the percentage set forth opposite the name of each of the remaining Underwriters bears to the aggregate of such percentages. If the Firm Shares, or Over-Allotment Shares, as applicable, which one or more Underwriters have failed or refused to purchase exceed 5% of such total number, the other Underwriters shall have the right, but not the obligation, to purchase severally, on a pro rata basis as between themselves or in such other proportions as they may agree upon, all, but not less than all, of the Firm Shares, or Over-Allotment Shares, as applicable, which would otherwise have been purchased by the Underwriters which fail to purchase. In any such case either a non-defaulting Underwriter or the Corporation shall have the right to postpone the Closing Time for such period, not exceeding five Business Days, in order that the required changes, if any, in the Prospectuses or in any other documents or arrangements may be effected. If any non-defaulting Underwriter elects not to exercise such right and no other non-defaulting Underwriter elects to exercise such right so as to assume the entire obligations of the defaulting Underwriters and arrangements satisfactory to WWCM (on behalf of the Underwriters) and the Corporation for the purchase of such Firm Shares, or Over-Allotment Shares, if applicable, are not made within 48 hours after such default, then (i) each non-defaulting Underwriter shall be entitled, by notice to the Corporation, to terminate, without liability, its obligation to purchase its original percentage of the Firm Shares, or Over-Allotment Shares, if applicable, and (ii) the Corporation shall have the right to terminate its obligations hereunder without liability on its part except under sections 13, 14 and 15 hereof in respect of non-defaulting Underwriters.

20.3 Nothing in this section 20 shall obligate the Corporation to sell less than all of the Firm Shares or shall relieve any Underwriter in default from liability to the Corporation or to any non-defaulting Underwriter in respect of its default hereunder.

21. Notices.

21.1 Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered:

(a) in the case of the Corporation, to 400, 444 - 5th Avenue S.W., Calgary, AB, T2P 2T8, Attn. Abby Badwi, facsimile (403) 538-3705;

(b) in the case of WWCM, to 145 King Street West, Suite 700, Toronto, ON, M5H 1J8, Att. Jeff Reymer, facsimile (416) 642-1910;

(c) in the case of Westwind Partners Inc., to 17 Old Park Lane, 7th Floor, London, UK, W1K 1QT, Attn. Paul Colucci, facsimile +44 (0) 207-290-9718;

(d) in the case of D&D Securities Company, to 1714 - 150 York Street, Toronto, ON, M5H 3S5, Attn. Lucia Cheung, facsimile (416) 366-8279;

(e) in the case of Jennings Capital Inc., to Suite 2600, 520 - 5th Avenue SW, Calgary, AB, T2P 3R7, Attn. David G. McGorman, facsimile (403) 292-0979;

(f) in the case of MGI Securities Inc., to Suite 900, 26 Wellington Street East, Toronto ON, M5E 1S2, Attn. Tony Loria, facsimile (403) 705-4982; and

(g) in the case of Tristone Capital Inc., to Suite 2020, 335 - 8th Avenue SW, Calgary, AB, T2P 1C9, Attn. Brad Hurtubise, facsimile (403) 593-4365.

The Corporation and the Underwriters may change their respective addresses for notices by notice given in the manner aforesaid. Any such notice or other communication shall be in writing, and unless delivered to a responsible person of the addressee, shall be given by courier service or by facsimile transmission, and shall be deemed to have been received, if given by facsimile transmission, at the time of sending (with written confirmation of receipt from the sending fax machine) (if prior to 4:00 p.m. (local time at place of receipt) on a Business Day and, otherwise, on the next Business Day following the sending thereof) and, if given by courier service when delivered.

22. Lead Underwriter.

22.1 The Corporation shall be entitled to and shall act on any notice or other communication given by or on behalf of the Underwriters by WWCM which shall represent the Underwriters and which has the authority to bind the Underwriters except in respect of a notice of termination given pursuant to section 18, which notice may be given by any Underwriter, an agreement of settlement given under section 13, which may be given only by the Underwriter affected thereby or a notice or election by a non-defaulting Underwriter pursuant to section 20, which may be given or made only by the Underwriter affected thereby. Each Underwriter shall consult fully with any other with respect to any such notice or other communication. Acceptance of this offer by the Corporation shall constitute its authority for accepting notification of any such matters from WWCM, and for delivering the certificates representing the Offered Shares to or to the order of WWCM.

23. Further Offerings.

23.1 Without the prior written consent of WWCM, such consent not to be unreasonably withheld, during the period commencing on the date hereof and ending on the day which is 90 days following the Closing Date (the "**Blackout Period**"), none of the Corporation nor any of its Subsidiaries shall, directly or indirectly, offer, sell or issue for sale or resale any Common Shares, or financial instruments or securities convertible into or exercisable or exchangeable for Common Shares, or agree to or announce any such offer, sale or issuance; provided that notwithstanding the foregoing, the Corporation may issue further stock options to its directors and officers in the normal course of its operations and the Corporation may issue Common Shares to close the previously announced acquisition of a further 7.5% working interest in the Safed Koh Concession in Pakistan and pursuant to the exercise of stock options or other convertible securities outstanding at the date hereof without the consent of WWCM, on the condition that during the Blackout Period, (i) no director or officer of the Corporation shall exercise more than 30% of the aggregate number of stock options of the Corporation held by them on the date hereof; (ii) any sale of Common Shares by directors and officers must be coordinated through and agreed to by WWCM; and (iii) the aggregate sum of exercised stock options of the Corporation for all directors and officers of the Corporation shall not exceed 1.5 million Common Shares, and the Corporation shall use its commercially reasonable best efforts to cause each of its directors and officers to enter into lock-up agreements in form and substance satisfactory to, and in favour of, WWCM evidencing their agreement to be bound by (i), (ii) and (iii) above.

24. Miscellaneous.

24.1 Schedule "A" attached hereto is by this reference incorporated into and is part of this Agreement as fully as though contained in this Agreement.

24.2 If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The invalidity or unenforceability of any provision in any particular jurisdiction shall not affect its validity or enforceability in any other jurisdiction where it is valid or enforceable.

24.3 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without reference to the conflicts of laws provisions thereof. Each of the parties irrevocably attorns to the jurisdiction of the courts of the Province of Alberta with respect to all matters arising out of this Agreement and the transactions contemplated herein.

24.4 Time shall be of the essence hereof.

24.5 Unless otherwise indicated, all references herein to currency shall be to the lawful money of Canada.

24.6 In exercising rights or making decisions under this Agreement, all parties shall act in a commercially reasonable manner consistent with practice in the Canadian securities industry.

24.7 This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts, taken together, shall constitute one and the same instrument. A signed counterpart of this Agreement provided by way of facsimile transmission shall be as binding upon the parties as an originally signed counterpart.

24.8 The terms and conditions of this Agreement supersede any previous verbal or written agreement among the Underwriters (or any of them) and the Corporation with respect to the subject matter hereof including, without limitation, the "bought deal" offer letter dated February 19, 2007 between WWCM and the Corporation.

24.9 Each of the parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other party hereto may reasonably require from time to time for the purposes of giving effect to this Agreement and shall use reasonable commercial efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

If this letter accurately reflects the terms of the agreement which we are to enter into and if such terms are agreed to by the Corporation, please signify acceptance by executing the enclosed copies of this letter where indicated below and returning them to WWCM.

Yours very truly,

WELLINGTON WEST CAPITAL MARKETS INC.

By: *(signed) Jeff Reymer*______________

WESTWIND PARTNERS INC.

By: *(signed) Paul Colucci*______________

D&D SECURITIES COMPANY

By: *(signed) Lucia Cheung*____________

JENNINGS CAPITAL INC.

By: *(signed) David G. McGorman*_______

MGI SECURITIES INC.

By: *(signed) Tony P. Loria*____________

TRISTONE CAPITAL INC.

By: *(signed) Brad Hurtubise*_____________

The foregoing agreement is hereby accepted and agreed to as of the date first written above.

RALLY ENERGY CORP.

By: *(signed) Douglas C. Urch*

Schedule "A" to an underwriting agreement dated February 26, 2007 (the "**Underwriting Agreement**")

U.S. SELLING RESTRICTIONS

1. Capitalized terms used but not defined in this Schedule "A" shall have the meanings ascribed thereto in the Underwriting Agreement to which this Schedule "A" is attached. For the purpose of this Schedule "A", the following terms shall have the meanings indicated:

   (a) "**affiliate**" means "affiliate" as defined in Rule 405 under the U.S. Securities Act;

   (b) "**Directed Selling Efforts**" means directed selling efforts as that term is defined in Rule 902 of Regulation S; without limiting the foregoing, but for greater clarity in this Schedule "A", it means, subject to the exclusions from the definition of "directed selling efforts" contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares and shall include, without limitation, the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of any of the Offered Shares;

   (c) "**Documents**" means the U.S. Placement Memorandum of the Corporation and the Prospectus;

   (d) "**General Solicitation or General Advertising**" means "general solicitation or general advertising", as used under Rule 502(c) under the U.S. Securities Act, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or the internet or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;

   (e) "**Investment Company Act**" means the United States Investment Company Act of 1940, as amended;

   (f) "**Qualified Institutional Buyer**" means a "qualified institutional buyer" as defined in Rule 144A;

   (g) "**Regulation S**" means Regulation S adopted by the SEC under the U.S. Securities Act;

   (h) "**Rule 144A**" means Rule 144A adopted by the SEC under the U.S. Securities Act;

   (i) "**SEC**" means the United States Securities and Exchange Commission;

(j) "**Selling Dealer Group**" means the dealers and brokers other than the Underwriters, if any, who participate in the offer and sale of the Offered Shares pursuant to the Underwriting Agreement;

(k) "**Substantial U.S. Market Interest**" means "**substantial U.S. market interest**" as defined in Rule 902 of Regulation S;

(l) "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

(m) "**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;

(n) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended; and

(o) "**U.S. Placement Memorandum of the Corporation**" means the final U.S. placement memorandum in form and substance satisfactory to the Corporation and the Underwriter used in connection with offers and sales of the Offered Shares in the United States, which will be of even date with, and accompanied by, the Prospectus.

2. The Underwriters severally but not jointly:

(a) acknowledge that the Offered Shares have not been and will not be registered with the SEC under the U.S. Securities Act and may not be offered or sold within the United States unless an exemption from registration is available under the U.S. Securities Act, and that the Offered Shares are being offered and sold pursuant to a prospectus under Canadian securities laws and in reliance upon an exemption from registration and a "safe harbour" provided by Rule 903 of Regulation S (supplemented, in the case of offers and sales by the Underwriter or by members of the Selling Dealer Group through their respective United States affiliates to Qualified Institutional Buyers in the United States, by the exemption from registration provided by Rule 144A); and

(b) agree that neither they, nor any member of the Selling Dealer Group, nor any of their respective affiliates nor any person acting on behalf of any of the foregoing:

(i) have engaged or will engage in any Directed Selling Efforts with respect to the Offered Shares,

(ii) except to the extent permitted by section 3 of this Schedule "A", have made or will make (A) any offer to sell or solicitation of an offer to buy any of the Offered Shares to any person in the United States, or (B) any sale of the Offered Shares to any person unless (1) it and any person acting on its behalf reasonably believe that, at the time such person placed the order to purchase Offered Shares, such person was outside the United

States, and (2) such sale is otherwise in compliance with the applicable requirements of Regulation S,

(iii) have taken or will take, directly or indirectly, any action which would constitute a violation of Regulation M under the U.S. Exchange Act, or

(iv) have solicited or will solicit offers for, or offers to sell, the Offered Shares in the United States by means of any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of section 4(2) of the U.S. Securities Act.

3. It is understood and agreed by the Underwriters that the Offered Shares may be offered and sold by the Underwriters and members of the Selling Dealer Group in the United States only:

(a) through their respective United States affiliates, each of which will be on the dates of such offers and sales duly registered as a broker-dealer pursuant to section 15(b) of the U.S. Exchange Act and under the securities laws of each state in which such offers and sales were made (unless exempted from the respective state's broker-dealer registration requirements) and a member in good standing with the National Association of Securities Dealers, Inc.;

(b) pursuant to the provisions of Rule 144A to persons who are or are reasonably believed by them to be Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A;

(c) in compliance with any applicable state securities laws of the United States and all United States state and federal laws governing the registration and conduct of securities brokers and dealers;

(d) provided that prior to any sale of Offered Shares, (i) each purchaser shall have been provided with a copy of the Documents (and all amendments and supplements thereto and final forms thereof), (ii) each purchaser of the Offered Shares in the United States shall be informed by the Underwriter, or its U.S. registered dealer-broker affiliate that the Offered Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold to such purchasers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder, and (iii) each purchaser shall have executed and delivered a U.S. Purchaser's Letter in the form annexed to the U.S. Placement Memorandum of the Corporation; and

(e) provided that, at the Closing each Underwriter together with its U.S. affiliate(s) who offered and sold the Offered Shares in the United States will provide a certificate, substantially in the form of Exhibit 1, relating to the manner of the offer and sale of the Offered Shares in the United States or a written confirmation that it did not offer or sell any Offered Shares in the United States.

4. The Underwriters agree that they have caused or will promptly cause each member of the Selling Dealer Group to acknowledge in writing its awareness of and agreement to be bound by the provisions of this Schedule "A" in connection with all offers and sales of the Offered Shares and shall require each Selling Dealer Group to agree, for the benefit of the Corporation, to comply with, and shall use its best efforts to ensure that each Selling Group Member complies with, the provisions of clauses as if such provisions applied to such Selling Dealer Group.

5. The Underwriters have not entered, and will not enter, into any contractual arrangement without the prior written consent of the Corporation with respect to the distribution of the Offered Shares, except:

   (a) with their affiliates, or

   (b) with members of the Selling Dealer Group in accordance with section 4 of this Schedule "A", except that nothing in this Schedule "A" shall in any way restrict offers and sales pursuant to this Schedule "A" in accordance with Rule 144A.

6. The Corporation hereby represents and warrants to the Underwriters that:

   (a) the U.S. Placement Memorandum of the Corporation, at the date hereof and at the Closing Date will not (and any amendment or supplement thereto or final form thereof, at the date thereof and at the Closing Date, will not), contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

   (b) neither the Corporation, nor any of its affiliates (other than an Underwriter, a member of the Selling Dealer Group, and their respective affiliates, in respect of which no representation is made) has, directly or indirectly, made offers or sales of any security, or solicited offers to buy any security, under circumstances that would require the registration of the Offered Shares under the U.S. Securities Act;

   (c) neither the Corporation, nor any of its affiliates, nor any person acting on its or their behalf (other than an Underwriter, a member of the Selling Dealer Group, and their respective affiliates, in respect of which no representation is made) has engaged in any form of General Solicitation or General Advertising or otherwise made a public offering within the meaning of section 4(2) of the U.S. Securities Act in connection with any offer or sale of the Offered Shares in the United States;

   (d) the Offered Shares satisfy the eligibility requirements of Rule 144A(d)(3) under the U.S. Securities Act in that they are not part of a class listed on a national securities exchange in the United States, quoted in a U.S. automated inter-dealer system, or convertible or exchangeable at an effective conversion premium or effective exercise premium (calculated as specified in paragraph (a)(6) or paragraph (a)(7) of Rule 144A under the U.S. Securities Act) of less than 10% for securities so listed or quoted;

(e) neither the Corporation, nor any of its affiliates, nor any person acting on its or their behalf (other than an Underwriter, a member of the Selling Dealer Group, and their respective affiliates, in respect of which no representation is made) has engaged in any Directed Selling Efforts with respect to the Offered Shares;

(f) the Corporation is a "foreign issuer" as such term is defined in Regulation S;

(g) the Corporation reasonably believes that there is no Substantial U.S. Market Interest in the Offered Shares or in any securities of the Corporation which are of the same class as the Offered Shares;

(h) the Corporation is not and does not own or control an open-end investment company, unit investment trust or face amount certificate company that is registered or required to be registered or a closed-end investment company required to be registered but not registered under section 8 of the Investment Company Act;

(i) the Corporation has not, in connection with the offer and sale of the Offered Shares, paid or agreed to pay to any person any compensation for soliciting another to purchase any securities of the Corporation (except as contemplated by this Agreement); and

(j) neither the Corporation, its affiliates nor any person acting on its behalf (other than an Underwriter or a member of the Selling Dealer Group, and their respective affiliates, in respect of which no representation is made) has taken, directly or indirectly, any action which would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer and sale of the Offered Shares.

7. The Corporation covenants and agrees with the Underwriters that:

(a) if at any time prior to the end of the Distribution Period, any event occurs as a result of which the Documents, as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it should be necessary to amend or supplement the Documents to comply with applicable law, the Corporation will promptly notify the Underwriters of the same and will prepare and provide to the Underwriters an amendment or supplement which will correct such statement or omission or effect such compliance;

(b) the Corporation will not, and will not permit any of its affiliates to, resell any securities of the Corporation that have been acquired by any of them in a manner that would require the offering to be made by the Underwriters to be subject to the registration requirements of the U.S. Securities Act;

(c) neither the Corporation, nor any of its affiliates, nor any person acting on its or their behalf (other than an Underwriter, a member of the Selling Dealer Group, and their respective affiliates, in respect of which no covenant is given) will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Offered Shares under the U.S. Securities Act;

(d) neither the Corporation, nor any of its affiliates, nor any person acting on its or their behalf (other than an Underwriter, a member of the Selling Dealer Group, and their respective affiliates, in respect of which no covenant is given) will engage in any form of General Solicitation or General Advertising in connection with any offer or sale of the Offered Shares in the United States;

(e) so long as any of the Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Corporation will, during any period in which it is not subject to and in compliance with section 13 or 15(d) of the U.S. Exchange Act and it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the U.S. Exchange Act, provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act (and this covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time of such restricted securities);

(f) neither the Corporation, nor any of its affiliates, nor any person acting on its or their behalf (other than an Underwriter, a member of the Selling Dealer Group, and their respective affiliates, in respect of which no covenant is given) will engage in any Directed Selling Efforts with respect to the Offered Shares;

(g) neither the Corporation, its affiliates nor any person acting on its behalf (other than an Underwriter or a member of the Selling Dealer Group, and their respective affiliates, in respect of which no representation is made) will take, directly or indirectly, any action which would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer and sale of the Offered Shares; and

(h) the Corporation will at the Closing Date be a "foreign issuer" as such term is defined in Regulation S.

EXHIBIT 1

UNDERWRITER'S CERTIFICATE

TO: RALLY ENERGY CORP.

In connection with the private placement in the United States of common shares (the "**Common Shares**") of Rally Energy Corp. (the "**Corporation**") pursuant to the underwriting agreement (the "**Underwriting Agreement**") dated February 26, 2007, among the Corporation, and the Underwriters named therein, the undersigned does hereby certify as follows:

(a) the Common Shares have been offered and sold in the United States only through the undersigned U.S. affiliate(s), each of which was on the dates of such offers and sales, and is on the date hereof, a duly registered broker or dealer pursuant to section 15(b) of the U.S. Securities Act and under the securities laws of each state in which such offers and sales were made (unless exempted from the respective state's broker-dealer registration requirements) and was and is a member in good standing with the National Association of Securities Dealers, Inc.;

(b) all offers and sales of Common Shares in the United States have been effected through such U.S. affiliate(s) in accordance with all applicable federal and states laws and regulations governing the registration and conduct of securities brokers and dealers;

(c) each offeree in the United States was provided with a copy of the U.S. Placement Memorandum of the Corporation, including the Prospectus, and each person in the United States purchasing Common Shares from us was provided with a copy of the U.S. Placement Memorandum of the Corporation, including the Prospectus and the undersigned U.S. affiliates have not used and will not use any written materials other than the U.S. Placement Memorandum of the Corporation;

(d) (A) immediately prior to transmitting any of the foregoing materials to any offeree in the United States, we had reasonable grounds to believe and did believe that, pursuant to Rule 144A, such offeree was a Qualified Institutional Buyer, and (B) we have reasonable grounds to believe and do believe that each person in the United States purchasing Common Shares from us is a Qualified Institutional Buyer;

(e) no form of General Solicitation or General Advertising was used by us, including any advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Common Shares in the United States;

(f) the offering of the Common Shares has been conducted in accordance with the terms of the Underwriting Agreement, including Schedule "A" thereto; and

(g) prior to any sale of Common Shares in the United States we caused the purchaser to execute a U.S. Purchaser's Letter, in the form annexed to the U.S. Placement Memorandum of the Corporation.

Terms used in this certificate have the meanings given to them in the Underwriting Agreement (including Schedule "A" thereto) unless otherwise defined herein.

Dated this __ day of _______________ 2007.

[INSERT NAME OF UNDERWRITER]	**[INSERT NAME OF U.S. AFFILIATE]**
By: ____________________________________	By: ____________________________________
Name:	Name:
Title:	Title: