UNDERWRITING AGREEMENT

June 14, 2006

Iteration Energy Ltd.
700, 700 - 2nd Street S.W.
Calgary, Alberta
T2P 2W1

Attention: Mr. Brian L. Illing
President and Chief Executive Officer

Dear Sirs:

Re: Offering of Subscription Receipts of Iteration Energy Ltd.

FirstEnergy Capital Corp., Peters & Co. Limited, Wellington West Capital Markets Inc., BMO Nesbitt Burns Inc. and Tristone Capital Inc. (collectively, the "**Underwriters**") understand that Iteration Energy Ltd. (the "**Corporation**") proposes to issue and sell 6,200,000 Subscription Receipts (as defined herein) of the Corporation (the "**Offered Receipts**") pursuant to this Agreement.

Each Subscription Receipt will entitle the holder either:

(a) if the closing of the Acquisition (as defined herein) takes place by 5:00 p.m. (Calgary time) on August 31, 2006, to receive one Common Share (as defined herein), without payment of additional consideration or further action, forthwith upon the closing of the Acquisition; or

(b) if the closing of the Acquisition does not take place by: (i) 5:00 p.m. (Calgary time) on August 31, 2006; (ii) the date upon which the Corporation delivers to the Underwriters a notice that the Acquisition Agreement has been terminated or that the Corporation does not intend to proceed with the Acquisition; or (iii) the date that the Corporation announces to the public that it does not intend to proceed with the Acquisition (in any case, the "**Termination Time**"), to have the full purchase price of the Subscription Receipts returned, plus the pro rata portion of the interest earned by the Escrow Agent (as defined herein) on such funds, calculated from the Closing Date to and including the Termination Time.

Subject to the terms and conditions hereof, the Underwriters hereby severally, and not jointly, agree to purchase from the Corporation the Offered Receipts at the Closing Time in the respective percentages set forth in paragraph 18 hereof, and the Corporation hereby agrees to issue and sell to the Underwriters at the Closing Time all, but not less than all, of the Offered Receipts at the purchase price of $4.05 per Offered Receipt.

Subject to the terms and conditions hereof, the Underwriters, acting through their United States broker dealer affiliates in accordance with Schedule "A" hereto, may arrange for

Institutional Accredited Investors (as defined herein) to purchase Offered Receipts from the Corporation in transactions that comply with Rule 506 of Regulation D (as defined herein) under the U.S. Securities Act, and any Offered Receipts so purchased shall be deducted from the number of Offered Receipts that the Underwriters are obligated to purchase pursuant to this Agreement.

1. **Definitions**

In this Agreement:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

(b) "**Accredited Investor**" means "accredited investor" as defined in Rule 501(a) of Regulation D;

(c) "**Acquisition**" means the acquisition by the Corporation of certain petroleum and natural gas properties and related assets from the Vendor pursuant to the Acquisition Agreement;

(d) "**Acquisition Agreement**" means the purchase and sale agreement dated June 6, 2006 between the Vendor, as vendor, and the Corporation, as purchaser, pursuant to which the Corporation has agreed to purchase the Purchased Properties from the Vendor;

(e) "**Agreement**" means this agreement and not any particular Article or Section or other portion except as may be specified, and words such as "**hereto**", "**herein**" and "**hereby**" refer to this Agreement as the context requires;

(f) "**AIF**" means the annual information form of the Corporation dated March 28, 2006;

(g) "**AJM**" means AJM Petroleum Consultants Ltd., independent oil and natural gas reservoirs engineers, Calgary, Alberta;

(h) "**AJM Report**" means the report prepared by AJM dated June 13, 2006 evaluating, effective April 1, 2006, the crude oil, natural gas liquids and natural gas reserves attributable to the Purchased Properties;

(i) "**Applicable Securities Laws**" means all applicable Canadian securities, corporate and other laws, rules, regulations, notices and policies in the Qualifying Provinces;

(j) "**ASC**" means the Alberta Securities Commission;

(k) "**Business Day**" means a day which is not Saturday or Sunday or a legal holiday in the City of Calgary, Alberta;

(l) "**Closing Date**" means June 28, 2006 or such other date as the parties hereto may agree, but in any event no later than July 26, 2006;

(m) "**Closing Time**" means 6:30 a.m. (Calgary time) or such other time, on the Closing Date, as the Underwriters and the Corporation may agree;

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

(o) "**Corporation**" means Iteration Energy Ltd., a corporation duly incorporated pursuant to the provisions of the ABCA and, when the context requires or permits, includes its Subsidiaries;

(p) "**Corporation Financial Statements**" means, collectively:

(i) the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2005 and 2004, together with the report of the Corporation's auditors thereon and the notes thereto; and

(ii) the unaudited interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2006 and 2005, together with the notes thereto;

(q) "**Corporation's auditors**" means Ernst & Young LLP, chartered accountants, Calgary, Alberta;

(r) "**Corporation's counsel**" means Bennett Jones LLP or such other legal counsel as the Corporation, with the consent of the Underwriters, may appoint;

(s) "**distribution**" means "**distribution**" or "**distribution to the public**", as the case may be, as defined under the Applicable Securities Laws and "**distribute**" has a corresponding meaning;

(t) "**Documents**" means, collectively, the documents incorporated by reference in the Prospectuses and any Supplementary Material including, without limitation:

(i) the AIF;

(ii) the Corporation Financial Statements;

(iii) the Corporation's management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2005 and the Corporation's management's discussion and analysis of financial condition and results of operations as at and for the three month period ended March 31, 2006;

(iv) the Purchased Properties Financial Statements;

(v) the Information Circular – Proxy Statement of the Corporation dated May 8, 2006 in connection with the annual meeting of shareholders of the Corporation held on June 7, 2006; and

(vi) the material change reports of the Corporation subsequent to December 31, 2005;

(u) "**Due Diligence Session**" shall have the meaning set forth in paragraph 3(d) of this Agreement;

(v) "**Escrow Agent**" means Computershare Trust Company of Canada in its capacity as escrow agent pursuant to the Subscription Receipt Agreement;

(w) "**Exchange**" means the Toronto Stock Exchange;

(x) "**IEI**" means Iteration Energy Inc., a corporation duly incorporated pursuant to the provisions of the ABCA and a wholly-owned subsidiary of the Corporation;

(y) "**IE Partnership**" means Iteration Energy, an Alberta general partnership of which the Corporation is the managing partner and the partners are the Corporation and IEI;

(z) "**Insider Order Offered Receipts**" means up to 100,000 Offered Receipts which may be purchased by management, directors or employees of the Corporation as identified to FirstEnergy Capital Corp. by the Corporation;

(aa) "**Institutional Accredited Investor**" means an Accredited Investor that satisfies the requirements of Rule 501(a)(1), (2), (3) or (7) of Regulation D;

(bb) "**material change**", "**material fact**" and "**misrepresentation**" shall have the meanings ascribed thereto under the Applicable Securities Laws;

(cc) "**McDaniel**" means McDaniel & Associates Consultants Ltd., independent oil and natural gas reservoir engineers, Calgary, Alberta;

(dd) "**McDaniel Report**" means the independent engineering evaluation of certain of the Corporation's oil, natural gas and natural gas liquids reserves prepared by McDaniel dated March 7, 2006 and effective December 31, 2005;

(ee) "**MRRS Procedures**" means the mutual reliance review system and procedures provided for by National Policy 43-201 of the Canadian Securities Administrators relating to the Mutual Reliance Review System, as amended or replaced;

(ff) "**NI 44-101**" means National Instrument 44-101 of the Canadian Securities Administrators, as amended or replaced;

(gg) "**Preliminary Prospectus**" means the preliminary short form prospectus of the Corporation to be dated June 14, 2006 and any amendments thereto, in respect of the distribution of the Offered Receipts, in the English language only, including the documents incorporated by reference therein;

(hh) "**Pro Forma Financial Statements**" means the unaudited pro forma consolidated financial statements of the Corporation, consisting of the pro forma consolidated balance sheet of the Corporation as at March 31, 2006, and the pro forma consolidated statements of earnings of the Corporation for the three months ended March 31, 2006 and the year ended December 31, 2005, together with the compilation report thereon and the notes thereto, as contained in the Prospectuses;

(ii) "**Prospectus**" means the (final) short form prospectus of the Corporation and any amendments thereto, in respect of the distribution of the Offered Receipts, in the English language only, including the documents incorporated by reference therein;

(jj) "**Prospectuses**" means, collectively, the Preliminary Prospectus and the Prospectus;

(kk) "**Public Record**" means all information filed by or on behalf of the Corporation with the Securities Commissions, including without limitation, the Documents, the Purchased Properties Financial Statements, the Pro Forma Financial Statements, the Prospectuses, any Supplementary Material and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws;

(ll) "**Purchased Properties**" means those petroleum and natural gas properties and related assets to be acquired by the Corporation pursuant to the Acquisition Agreement;

(mm) "**Purchased Properties' auditors**" means Ernst & Young LLP, chartered accountants, Calgary, Alberta;

(nn) "**Purchased Properties Financial Statements**" means the audited schedule of revenues, royalties and operating expenses for the Purchased Properties for the year ended December 31, 2005, together with the report of the Purchased Properties' auditors thereon and notes thereto, and the unaudited schedule of revenues, royalties and operating expenses for each of the three months ended March 31, 2006 and 2005 as contained in the Prospectuses;

(oo) "**Qualifying Provinces**" means each of the provinces of Canada, excluding Québec;

(pp) "**Qualifying Institutional Buyer**" has the meaning set forth in Schedule "A" hereto;

(qq) "**Regulation D**" means Regulation D under the U.S. Securities Act;

(rr) "**Responses**" means the written responses delivered on behalf of the Corporation by certain officers of the Corporation at the Due Diligence Session;

(ss) "**Securities Commissions**" means the securities commissions or similar regulatory authorities in the Qualifying Provinces;

(tt) "**Selling Dealer Group**" means the dealers and brokers other than the Underwriters who participate in the offer and sale of the Offered Receipts pursuant to this Agreement;

(uu) "**Subscription Receipts**" means the subscription receipts having the rights and entitlements set forth in this Agreement and otherwise being as provided in the Subscription Receipt Agreement;

(vv) "**Subscription Receipt Agreement**" means the agreement to be dated the Closing Date and made between the Corporation, the Underwriters and the Escrow Agent governing the terms and conditions of the Subscription Receipts;

(ww) "S**ubsidiary**" means a subsidiary in respect of the Corporation within the meaning of the *Securities Act* (Alberta) and includes, without limitation, each of IEI and the IE Partnership;

(xx) "**Supplementary Material**" means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemented Preliminary Prospectus or Prospectus or any ancillary material, information, evidence, return, report, application, statement or document which may be filed by or on behalf of the Corporation under the Applicable Securities Laws;

(yy) "**Swaps**" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);

(zz) "**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder;

(aaa) "**Underwriters' counsel**" means Blake, Cassels & Graydon LLP or such other legal counsel as the Underwriters, with the consent of the Corporation may appoint;

(bbb) "**U.S. Memorandum**" means the U.S. Private Placement Memorandum and any amendments thereto, to be attached to all copies of the Prospectus to be delivered in connection with the offer and sale of the Offered Receipts in the United States and referred to in Schedule "A" hereto;

(ccc) "**U.S. Person**" means "U.S. person" as defined in Regulation S under the U.S. Securities Act;

(ddd) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended; and (eee) "**Vendor**" means the vendor of the Purchased Properties, a senior international oil and gas company.

In addition, unless otherwise defined herein capitalized terms shall have the meanings ascribed thereto in the Prospectuses.

2. **Underwriting Fee**

In consideration for their services in underwriting the distribution of and purchasing the Offered Receipts, the Corporation agrees to pay the Underwriters:

(a) at the Closing Time a fee of $0.10125 per Offered Receipt (excluding Insider Order Offered Receipts, in respect of which a fee of $0.050625 for each Insider Order Offered Receipt shall be paid) for each Offered Receipt purchased; and

(b) at the time of release of the funds held by the Escrow Agent to the Corporation pursuant to the Subscription Receipt Agreement, if applicable, a fee of $0.10125 per Offered Receipt purchased (excluding Insider Order Offered Receipts, in respect of which a fee of $0.050625 for each Insider Order Offered Receipt shall be paid), payable from the funds held by the Escrow Agent pursuant to the Subscription Receipt Agreement.

The foregoing fees (collectively, the "**Underwriting Fee**") may, at the sole option of the Underwriters, be deducted from the aggregate gross proceeds of the sale of the Offered Receipts and withheld for the account of the Underwriters. 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 the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided. However, in the event that Revenue Canada, Taxation, Customs and Excise determines that Goods and Services Tax provided for in the Excise Tax Act (Canada) is exigible on the Underwriting Fee, the Corporation agrees to pay the amount of Goods and Services Tax forthwith upon the request of the Underwriters. The Corporation also agrees to pay the Underwriters' expenses as set forth in paragraph 10 hereof.

3. **Qualification for Sale**

(a) The Corporation represents and warrants to the Underwriters that it is eligible to use the prompt offering qualification system described in NI 44-101 for the distribution of the Offered Receipts.

(b) The Corporation shall:

(i) not later than 5:00 p.m. (Calgary time) on June 14, 2006, have prepared and filed the Preliminary Prospectus (in the English language only) and other documents required under the Applicable Securities Laws with the Securities Commissions and designated the ASC as the principal regulator; and

(ii) have obtained from the ASC a preliminary MRRS decision document dated not later than June 14, 2006, evidencing that a receipt has been issued for the Preliminary Prospectus in each Qualifying Province;

(iii) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions:

(A) but not later than June 22, 2006 (or such later date as may be agreed to in writing by the Corporation and the Underwriters), have prepared and filed the Prospectus (in the English language only) and other documents required under the Applicable Securities Laws with the Securities Commissions; and

(B) have obtained from the ASC a final MRRS decision document dated not later than June 22, 2006 (or such later date as may be agreed to in writing by the Corporation and the Underwriters), evidencing that a receipt has been issued for the Prospectus in each Qualifying Province, or otherwise obtained a receipt for the Prospectus from each of the Securities Commissions;

and otherwise fulfilled all legal requirements to enable the Offered Receipts to be offered and sold to the public in each of the Qualifying Provinces through the Underwriters or any other investment dealer or broker registered in the applicable Qualifying Province; and

(iv) until the completion of the distribution of the Offered Receipts, promptly take all additional steps and proceedings that from time to time may be required under the Applicable Securities Laws in each Qualifying Province to continue to qualify the Offered Receipts for distribution or, in the event that the Offered Receipts have, for any reason, ceased to so qualify, to again qualify the Offered Receipts for distribution and to ensure the Common Shares issuable pursuant to the Offered Receipts are freely tradeable in the Qualifying Provinces, save and except for a trade that is a control distribution.

(c) Prior to the filing of the Prospectuses and, during the period of distribution of the Offered Receipts, prior to the filing with any Securities Commissions of any Supplementary Material, the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of, and to approve the form of, such documents (including, without limitation the U.S. Memorandum) and to have reviewed any documents incorporated by reference therein.

(d) During the period from the date hereof until completion of the distribution of the Offered Receipts, the Corporation shall allow the Underwriters to conduct all due diligence which they may reasonably require in order to fulfil their obligations as underwriters and in order to enable the Underwriters responsibly to execute the certificates required to be executed by them in the Prospectuses or in any Supplementary Material. Without limiting the generality of the foregoing, the

Corporation shall make available its directors, senior management and audit committee, and shall use commercially reasonable efforts to cause its auditors (including of any predecessor entity or business) and independent engineers (including of any predecessor entity or business) to be available, to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to the Closing Time (the "**Due Diligence Session**"). The Corporation shall also use its best efforts to make available the Purchased Properties' auditors and AJM to answer any questions the Underwriters may have and to participate in the Due Diligence Session. The Underwriters shall distribute a list of written questions to be answered in advance of such Due Diligence Session and the Corporation shall provide written responses to such questions and shall use its commercially best efforts to have its auditors, independent engineers, the Purchased Properties' auditors and AJM provide written responses to such questions in advance of the Due Diligence Session.

(e) The Corporation shall take or cause to be taken all such other steps and proceedings, including fulfilling all legal, regulatory and other requirements, as required under Applicable Securities Laws to qualify the Offered Receipts for distribution to the public in the Qualifying Provinces, to ensure that Common Shares issuable pursuant to the Offered Receipts are freely tradeable in the Qualifying Provinces, save and except for a trade that is a control distribution, and to take such action necessary to permit the Offered Receipts to be offered and sold in transactions exempt from registration under the U.S. Securities Act in the United States to Qualified Institutional Buyers in reliance on Rule 144A under the U.S. Securities Act and to Institutional Accredited Investors in reliance on Rule 506 of Regulation D and for sale internationally on a "private placement" basis as permitted by applicable laws.

4. Delivery of Prospectus and Related Documents

The Corporation shall deliver or cause to be delivered without charge to the Underwriters and the Underwriters' counsel the documents set out below at the respective times indicated:

(a) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of each of the Preliminary Prospectus and the Prospectus:

   (i) copies of the Preliminary Prospectus and the Prospectus, each in the English language only, signed as required by the Applicable Securities Laws;

   (ii) copies of the preliminary U.S. Memorandum and the U.S. Memorandum, respectively, if required by the Underwriters; and

   (iii) copies of any documents incorporated by reference therein which have not previously been delivered to the Underwriters;

as soon as they are available and in any event, not later than one Business Day following the filing with the Securities Commissions of the Preliminary Prospectus or the Prospectus;

(b) as soon as they are available, copies of any Supplementary Material, in the English language only, as required, signed as required by the Applicable Securities Laws and including, in each case, copies of any documents incorporated by reference therein which have not been previously delivered to the Underwriters;

(c) prior to the filing of the Prospectus with the Securities Commissions, a "comfort letter" from each of the Corporation's auditors and the Purchased Properties' auditors, dated the date of the Prospectus, addressed to the Underwriters and reasonably satisfactory in form and substance to the Underwriters and the Underwriters' counsel, to the effect that they have carried out certain procedures performed for the purposes of comparing certain specified financial information and percentages appearing in the Prospectus and the documents incorporated therein by reference with indicated amounts in the financial statements or accounting records of the Corporation and the Purchased Properties, as applicable, and have found such information and percentages to be in agreement, which comfort letter shall be based on the Corporation's auditors and the Purchased Properties' auditors review having a cut-off date of not more than two Business Days prior to the date of the Prospectus.

Comfort letters similar to the foregoing shall be provided to the Underwriters with respect to any Supplemental Material and any other relevant document 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 letters shall be in form and substance acceptable to the Underwriters and the Underwriters' counsel, acting reasonably.

Such deliveries shall also constitute the Corporation's consent to the use by the Underwriters and other members of the Selling Dealer Group of the Documents, the Prospectuses, the U.S. Memorandum and any Supplementary Material in connection with the offering and sale of the Offered Receipts.

5. **Commercial Copies**

(a) The Corporation shall, as soon as possible but in any event not later than noon (local time at the place of delivery) on the Business Day following the date of the filing of the Preliminary Prospectus or the Prospectus, as the case may be, with the Securities Commissions and no later than noon (local time) on the first Business Day after the execution of any Supplementary Material in connection with the Prospectuses cause to be delivered to the Underwriters, without charge, commercial copies of the Preliminary Prospectus, the Prospectus or such Supplementary Material (in the English language only) in such numbers and in such cities as the Underwriters may reasonably request by oral or written instructions to the Corporation or the printer thereof given no later than the time when the Corporation authorizes the printing of the commercial copies of such documents.

(b) The Corporation shall cause to be provided to the Underwriters such number of copies of any documents incorporated by reference in the Preliminary Prospectus, the Prospectus or any Supplemental Materials as the Underwriters may reasonably request.

(c) The Corporation will similarly cause to be delivered to the Underwriters, at those delivery points as the Underwriters may reasonably request, commercial copies of a U.S. Memorandum and any Supplementary Material required to be delivered to purchasers or prospective purchasers of the Offered Receipts. Each delivery of the U.S. Memorandum will constitute consent by the Corporation to the use of the U.S. Memorandum and any Supplementary Material required to be prepared and/or filed under U.S. securities laws by the U.S. broker-dealer affiliates of the Underwriters and members of their selling group (if any) for the offer and sale of the Offered Receipts for sale by them in the United States in accordance with this Agreement.

6. **Material Change**

(a) During the period of distribution of the Offered Receipts, the Corporation will promptly inform the Underwriters of the full particulars of:

(i) any material change (actual, anticipated or threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its Subsidiaries, taken as a whole, or, to its knowledge, the Purchased Properties;

(ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum or any Supplementary Material; and

(iii) the occurrence of a material fact or event which, in any such case, is, or may be, of such a nature as to:

(A) render the Preliminary Prospectus, the Prospectus, the U.S. Memorandum or any Supplementary Material untrue, false or misleading in any material respect;

(B) result in a misrepresentation in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum or any Supplementary Material; or

(C) result in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum or any Supplementary Material not complying in any material respect with the Applicable Securities Laws,

provided that if the Corporation is uncertain as to whether a material change, change, occurrence or event of the nature referred to in this paragraph has occurred, the Corporation shall promptly inform the Underwriters of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Underwriters as to whether the occurrence is of such nature.

(b) During the period of distribution of the Offered Receipts, the Corporation will promptly inform the Underwriters of the full particulars of:

(i) any request of any Securities Commission for any amendment to the Preliminary Prospectus, the Prospectus, the U.S. Memorandum or any other part of the Public Record or for any additional information;

(ii) the issuance by any Securities Commission or similar regulatory authority, the Exchange or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose;

(iii) the receipt by the Corporation of any communication from any Securities Commission or similar regulatory authority, the Exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus, the U.S. Memorandum any other part of the Public Record or the distribution of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts; and

(iv) any proposed amendment to the Acquisition Agreement.

(c) The Corporation will promptly comply to the reasonable satisfaction of the Underwriters and the Underwriters' counsel with Applicable Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in paragraphs 6(a) or 6(b) above and the Corporation will prepare and file promptly at the Underwriters' request any amendment to the Prospectus, the U.S. Memorandum or Supplementary Material as may be required under Applicable Securities Laws; provided that the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of any Supplementary Material, to have reviewed any other documents incorporated by reference therein and conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters responsibly to execute the certificate required to be executed by them in, or in connection with, any Supplementary Material, such approval not to be unreasonably withheld and to be provided in a timely manner. The Corporation shall further promptly deliver to each of the Underwriters and the Underwriters' counsel a copy of each Supplementary Material in the English language only as filed with the Securities Commissions, and of letters with respect to each such Supplementary Material substantially similar to those referred to in paragraph 4 above.

(d) During the period of distribution of the Offered Receipts, the Corporation will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to filing or issuance:

(i) any financial statement of the Corporation;

(ii) any proposed document, including without limitation any amendment to the AIF, new annual information form, material change report, interim report, or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus;

(iii) any press release of the Corporation; and

(iv) any amendment to the Preliminary Prospectus or the Prospectus.

(e) The Corporation will use its best commercial efforts to expeditiously pursue and resolve all rights of first refusal associated with the Purchased Properties.

7. **Representations and Warranties of the Corporation**

(a) Each delivery of the Preliminary Prospectus, the Prospectus, the U.S. Memorandum and any Supplementary Material pursuant to paragraph 4 above shall constitute a joint and several representation and warranty to the Underwriters by the Corporation (and the Corporation hereby acknowledges that each of the Underwriters is relying on such representations and warranties in entering into this Agreement) that:

(i) all of the information and statements (except information and statements furnished by and relating solely to the Underwriters) contained in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference, as the case may be:

(A) are at the respective dates of such documents, true and correct in all material respects;

(B) contain no misrepresentation; and

(C) constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Receipts;

(ii) the Preliminary Prospectus, the Prospectus, or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference, as the case may be, complies in all material respects with the Applicable Securities Laws, including without limitation NI 44-101, and the U.S. Placement Memorandum and any related Supplementary Material complies in all material respects with U.S. securities laws; and

(iii) except as is disclosed in the Public Record, there has been no intervening material change (actual, proposed or prospective, whether financial or otherwise), from the date of the Preliminary Prospectus, the Prospectus, the U.S. Memorandum and any Supplementary Material to the time of delivery thereof, in the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations, or ownership of the Corporation or its Subsidiaries, taken as a whole.

(b) In addition to the representations and warranties contained in clause 7(a) hereof, the Corporation represents and warrants to the Underwriters, and acknowledges that each of the Underwriters is relying upon such representations and warranties in entering into this Agreement that:

(i) each of the Corporation and its Subsidiaries have been duly incorporated, amalgamated or formed, as the case may be, and is validly existing under the laws of the jurisdiction of its incorporation, amalgamation or formation, as the case my be, and has all requisite corporate or partnership capacity, power and authority to carry on its business as described in the Prospectuses, and to own, lease and operate its properties and assets (as described in the Prospectuses);

(ii) each of the Corporation and its Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;

(iii) each of the Corporation and its Subsidiaries has conducted and each of the Corporation and its Subsidiaries is conducting and will conduct its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on a material portion of its business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on a material portion of its business which are necessary or desirable to carry on the business of the Corporation and its Subsidiaries, as the case may be, as now conducted and as presently proposed to be conducted, all such licences, registrations or qualifications are valid and existing and in good standing and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation or its Subsidiaries (taken as a whole) as now conducted or as proposed to be conducted, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation or the Subsidiaries will be unable to comply with without materially adversely affecting the Corporation;

(iv) the Corporation does not have any Subsidiaries other than IEI and the IE Partnership; all of the issued and outstanding common shares of IEI are validly issued as fully paid and non-assessable, the Corporation is, directly or indirectly, the beneficial holder of all such issued and outstanding common shares and holds such common shares with valid and marketable title to the common shares free and clear of any liens, pledges, charges, encumbrances, security interests or other adverse claims whatsoever (other than bank security) and no person, firm, corporation or other entity holds any securities convertible or exchangeable into shares of IEI or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued shares, securities (including convertible securities) or warrants of IEI; the Corporation and IEI are the only partners of the IE Partnership, the Corporation is the managing partner of the IE Partnership, and no person, firm, corporation or other entity holds any securities convertible or exchangeable into partnership interests of the IE Partnership or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued partnership interests, securities (including convertible securities) or warrants of the IE Partnership; and the Corporation has no material shareholdings in any other corporation or business organization;

(v) from March 23, 2005, the minute books for each of the Corporation and its Subsidiaries and the record books of the IE Partnership contain full, true and correct copies of the constating documents of the Corporation and its Subsidiaries, as applicable, and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors and shareholders or partners, as applicable, of the Corporation and its Subsidiaries, respectively, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;

(vi) the books of account and other records of each of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;

(vii) the Corporation and each of its 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 reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which were claimed by any governmental authority to be due and owing 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 its Subsidiaries and to the best of the knowledge, information and belief of the Corporation there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or any of its 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;

(viii) all filings made by the Corporation and its Subsidiaries under which the Corporation or any Subsidiary has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or its Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;

(ix) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on the business, financial condition, assets, properties, liabilities or operations of the Corporation and its Subsidiaries (taken as a whole):

(A) the Corporation and each of its Subsidiaries is not in violation of any applicable federal, provincial, state, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(B) the Corporation and each of its Subsidiaries has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(C) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or any of its Subsidiaries that have not been remedied;

(D) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or any Subsidiary;

(E) the Corporation and each of its Subsidiaries has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law;

(F) the Corporation and each of its Subsidiaries holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licences, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by the Corporation and its Subsidiaries, and (B) notifications relating to reclamation obligations under the Environmental Protection and Enhancement Act (Alberta), the Corporation and each of its Subsidiaries has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and

(G) neither the Corporation nor any of its Subsidiaries (including, if applicable, any predecessor companies thereof) has received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation nor any of its Subsidiaries (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;

(x) any and all operations of the Corporation and each of its Subsidiaries, and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation and its Subsidiaries, have been conducted in accordance with good oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of governmental and other competent authorities;

(xi) in respect of the assets and properties of each of the Corporation and its Subsidiaries that are operated by it, if any, each of the Corporation and its Subsidiaries holds all valid licences, permits and similar rights and privileges that are required and necessary under applicable law to operate the assets and properties of the Corporation and its Subsidiaries, as the case may be, as presently operated;

(xii) the Corporation has full corporate capacity, power and authority to issue the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts and, at the Closing Date (a) the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts will be duly and validly authorized, allotted and reserved for issuance in accordance with the Subscription Receipt Agreement and, upon receipt of the purchase price therefor, the Offered Receipts will be duly and validly issued as fully paid and non-assessable, and (b) the Common Shares issuable pursuant to the Offered Receipts will be duly and validly authorized, allotted and reserved for issuance, and upon the issuance of such Common Shares in accordance with the terms of the Subscription

Receipt Agreement, such Common Shares will be duly and validly issued as fully paid and non-assessable;

(xiii) other than this Agreement, the Acquisition Agreement and the credit facility of the Corporation with the Royal Bank of Canada, there are no material contracts or agreements which have or which might have or create any material obligation to the Corporation or its Subsidiaries or from which they derive or could derive any material benefit or which are required by the Corporation or its Subsidiaries to carry on their business as now conducted by them or as presently proposed to be conducted by them and neither the Corporation nor any of its Subsidiaries is in material default or breach of any of such agreements;

(xiv) the Corporation has the necessary corporate power and authority to execute, deliver and file the Prospectuses and, prior to filing the Prospectuses, all requisite action will have been taken by the Corporation to authorize the execution, delivery and filing of the Prospectuses;

(xv) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement or the Subscription Receipt Agreement by the Corporation or any of the transactions contemplated hereby or thereby, does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under, any term or provision of the articles, by-laws or resolutions of shareholders or partners, as applicable, or directors of the Corporation or any Subsidiary, or any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or any Subsidiary is a party or by which it is bound, or any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation or any Subsidiary which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation and its Subsidiaries (taken as a whole) or their respective properties or assets (on a consolidated basis) or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement or the Subscription Receipt Agreement;

(xvi) the Corporation has full corporate capacity, power and authority to enter into this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement and to perform its obligations set out herein and therein and this Agreement and the Acquisition Agreement have been and, at the Closing Time, the Subscription Receipt Agreement will be duly authorized, executed and delivered by the Corporation and this Agreement and the Acquisition Agreement are and, at the Closing Time, the Subscription Receipt Agreement will be a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;

(xvii) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or its Subsidiaries from the position set forth in the Corporation Financial Statements except as contemplated by the Prospectuses and there has not been any adverse material change in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or its Subsidiaries since March 31, 2006 except as disclosed in the Prospectuses; and since that date there have been no material facts, transactions, events or occurrences which could materially adversely affect the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or its Subsidiaries (on a consolidated basis) which have not been disclosed in the Prospectuses;

(xviii) the Corporation Financial Statements fairly present, in accordance with generally accepted accounting principles in Canada, consistently applied, the consolidated financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and its Subsidiaries (taken as a whole) as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and its Subsidiaries as at the dates thereof required to be disclosed by generally accepted accounting principles in Canada, and include all adjustments necessary for a fair presentation;

(xix) to the knowledge, information and belief of the Corporation, the Purchased Properties Financial Statements fairly present in all material respects, in accordance with generally accepted accounting principles in Canada, consistently applied, the revenues and expenses attributable to the Purchased Properties and the other information purported to be shown therein of the Purchased Properties as at the dates thereof and for the periods then ended and reflect all revenues, royalties and operating expenses in respect of the Purchased Properties as at the dates thereof required to be disclosed by generally accepted accounting principles in Canada, and include all adjustments necessary for a fair presentation;

(xx) the Pro Forma Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied, have been prepared and presented in accordance with Applicable Securities Laws, and include all adjustments necessary for a fair presentation; the assumptions contained in the Pro Forma Financial

Statements are suitably supported and consistent with the financial results of the Corporation, and the Purchased Properties, and such statements provide a reasonable basis for the compilation of the Pro Forma Financial Statements and the Pro Forma Financial Statements accurately reflect such assumptions;

(xxi) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts, except such as may be required by the Exchange or under the Applicable Securities Laws;

(xxii) there are no actions, suits, proceedings or inquiries pending or (as far as the Corporation is aware) threatened against or affecting the Corporation or any Subsidiary at law or in equity or before or by any federal provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or its Subsidiaries (on a consolidated basis) or their respective properties or assets (taken as a whole) or which affects or may affect the distribution of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts or which would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement or the Subscription Receipt Agreement and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

(xxiii) the information and statements set forth in the Public Record to the extent incorporated by reference in the Prospectuses were true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statements and were prepared in accordance with and complied with Applicable Securities Laws and the Corporation has not filed any confidential material change reports still maintained on a confidential basis;

(xxiv) the authorized capital of the Corporation consists of an unlimited number of Common Shares of which 48,929,847 Common Shares are currently issued and outstanding, each of which shares is validly issued, fully paid and non-assessable, and an unlimited number of preferred shares, issuable in series, of which none are currently issued or outstanding;

(xxv) no person, firm, corporation or other entity holds any securities convertible or exchangeable into shares of the Corporation or has any agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (i) as disclosed in the Public Record; (ii) 4,889,722 Common Shares subject to options granted by the Corporation pursuant to its stock option plan; and (iii) 5,000,000 Common Shares subject to warrants issued by the Corporation;

(xxvi) Computershare Trust Company of Canada, at its principal offices in the cities of Calgary and Toronto, has been duly appointed registrar and transfer agent of the Common Shares;

(xxvii) Computershare Trust Company of Canada, or another nationally recognized trust company acceptable to the Underwriters, acting reasonably, will on the Closing Date be the duly appointed transfer agent of the Subscription Receipts and escrow agent under the Subscription Receipt Agreement;

(xxviii) no Securities Commission, other securities commission or similar regulatory authority, the Exchange or other exchange in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Laws of the provinces of Canada or the United States;

(xxix) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability (absolute, accrued, contingent or otherwise) for brokerage fees, finder's fees, agent's commission or other similar forms of compensation with respect to the transactions contemplated herein;

(xxx) the issued and outstanding Common Shares are listed and posted for trading on the Exchange and the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts will be listed and posted for trading on the Exchange upon the Corporation complying with the usual conditions imposed by the Exchange with respect thereto and the Corporation is in material compliance with the by-laws, rules and regulations of the Exchange;

(xxxi) the Corporation is a "reporting issuer" in each of the provinces of Canada within the meaning of the Applicable Securities Laws in such provinces and is not in default of any requirement of the Applicable Securities Laws;

(xxxii) the Corporation is duly qualified to file the Prospectuses under NI 44-101 in the Qualifying Provinces;

(xxxiii) to the knowledge of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation other than as disclosed to the Underwriters;

(xxxiv) the definitive form of certificates for the Common Shares have been, and the definitive form of certificates for the Offered Receipts will on the Closing Date be, duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;

(xxxv) the Corporation has made available to McDaniel prior to the issuance of the McDaniel Report, for the purpose of preparing the McDaniel Report, all information requested by McDaniel, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, the Corporation has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to McDaniel since the date that such information was so provided. The Corporation believes that the McDaniel Report reasonably presents the quantity and pre-tax present worth values of the oil and gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at December 31, 2005 based upon information available at the time such reserves information was prepared, and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to production since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

(xxxvi) to the knowledge, information and belief of the Corporation, the Vendor has made available to AJM, prior to the issuance of the AJM Report, for the purpose of preparing the AJM Report, all information requested by AJM, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, the Corporation has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to AJM by the Vendor since the date that such information was so provided. The Corporation believes that the AJM Report reasonably presents the quantity and pre-tax present worth values of the natural gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at April 1, 2006 based upon information available at the time such reserves information was prepared, and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to production since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

(xxxvii) although it does not warrant title, the Corporation does not have reason to believe that the Corporation or any Subsidiary does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this clause, the foregoing are referred to as the "**Interest**") and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation or any Subsidiary except as disclosed in the Public Record or those arising in the ordinary course of business, and that, to its knowledge, each of the Corporation and its Subsidiaries holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a material adverse effect on the Corporation and its Subsidiaries (taken as a whole);

(xxxviii) the Corporation is not aware of any defects, failures or impairments in the title of any of the Corporation or any of its Subsidiaries to the crude oil, natural gas liquids and natural gas properties disclosed in the Prospectuses, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (a) the quantity and pre-tax present worth values of crude oil, natural gas liquids and natural gas reserves of any of the Corporation or any of its Subsidiaries as disclosed in the Prospectuses; (b) the current production volumes of any of the Corporation or any of its Subsidiaries; or (c) the current cash flow of any of the Corporation or any of its Subsidiaries;

(xxxix) there has not been any reportable disagreement (within the meaning of Section 4.11 of National Instrument 51-102 of the Canadian Securities Administrators) with the auditors of the Corporation;

(xl) other than the credit facility of the Corporation with the Royal Bank of Canada and an agreement dated June 30, 2003 in respect of 1022971 Alberta Ltd., neither the Corporation nor any of its Subsidiaries is 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 or its Subsidiaries 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 provisions in agency and underwriting agreements and in subscription receipt indentures and transfer agency agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person (other than the Corporation and/or a Subsidiary of the Corporation);

(xli) other than as disclosed in the Documents, neither the Corporation nor any of its Subsidiaries has 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 or its Subsidiaries that are currently outstanding;

(xlii) other than as disclosed to the Underwriters or in the Public Record, neither the Corporation nor its Subsidiaries is a party to any written contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;

(xliii) neither the Corporation nor its Subsidiaries have entered into any Swaps;

(xliv) the attributes and characteristics of the Offered Receipts and the Common Shares conform in all material respects to the attributes and characteristics thereof described in the Prospectuses;

(xlv) each of the Corporation and its Subsidiaries are insured by insurers of recognized financial responsibly against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring each of the Corporation and its Subsidiaries or their respective businesses, assets, employees, offices and directors are in full force and effect, except where the failure to be in full force and effect would not have an adverse material effect on the business, operations, capital or condition (financial or otherwise) of the Corporation, its Subsidiaries or their respective assets (taken as a whole);

(xlvi) the representations and warranties of the Corporation in the Acquisition Agreement, a true copy of which has been provided to the Underwriters, are true and correct as of the date hereof, except as such would not have a material adverse effect on the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or its Subsidiaries;

(xlvii) the Corporation has no reason to believe that the representations and warranties of the Vendor in the Acquisition Agreement are not true and correct as of the date hereof or that the Vendor is in breach of any covenants of the Vendor in the Acquisition Agreement, except such as would not have a material adverse effect on the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Purchased Properties, the Corporation or its Subsidiaries;

(xlviii) to the best of the knowledge, information and belief of the Corporation, none of the Purchased Properties are subject to any right of purchase or other acquisition, whether or not on conditions, to any third party which will be triggered or accelerated by the transactions contemplated by the Acquisition Agreement, save and except for rights of first refusal affecting in aggregate interests in the Purchased Properties not exceeding 7% of the production of the Purchased Properties as at April 1, 2006 and not exceeding 7% of the proved reserves of the Purchased Properties as evaluated in the AJM Report;

(xlix) to the knowledge of the Corporation, no event has occurred or condition exists which will prevent the Acquisition from being completed prior to 5:00 p.m. (Calgary time) on August 31, 2006;

(l) the Corporation has no knowledge of a material adverse change in any reserves information contained in the AJM Report, and the Corporation believes that the Prospectuses reasonably present the quantity and pre-tax present worth values of the natural gas reserves attributable to the Purchased Properties as at April 1, 2006 (or as of the date hereof, except as may be attributable to production since the date of such report) based upon information available at the time such information was prepared and the assumptions as to commodity prices and costs contained in the AJM Report;

(li) the Corporation is not aware of any defects, failures or impairments in the title of the Vendor or any of its Subsidiaries to the Purchased Properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party which in aggregate could have a material adverse effect on: (A) the quantity and pre-tax present worth values of the Purchased Properties; (B) the current production volumes of the Purchased Properties; or (C) the current cash flow of the Purchased Properties;

(lii) 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; and

(liii) the Responses will be true and correct where they relate to matters of fact, and the Corporation and its directors and officers will have responded in a thorough and complete fashion. Where the Responses reflect the opinion or view of the Corporation or its directors or officers (including, Responses or portions of such Responses, which are forward looking or otherwise relate to projections, forecasts or estimates of future performance or results (operating, financial or otherwise)) ("**Forward-looking Statements**"), such opinions or views are subject to the qualifications and provisions set forth in the Responses and will be honestly held and believed to be reasonable at the time they are given; provided, however, it shall not constitute a breach of this paragraph solely if the actual results vary or differ from those contained in Forward-looking Statements.

8. **Indemnity**

(a) The Corporation shall indemnify and save each of the Underwriters, and each of the Underwriters' agents, directors, officers, shareholders and employees harmless against and from all liabilities, claims, demands, losses (other than losses of profit in connection with the distribution of the Offered Receipts), costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses to which the Underwriters, or any of the Underwriters' agents, directors, officers, shareholders or employees may be subject or which the Underwriters, or any of the Underwriters' agents, directors, officers, shareholders or employees may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of:

(i) any information or statement contained in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Material or in any other document or material filed or delivered pursuant hereto (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, Prospectus or the U.S. Memorandum) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact (other than any information or fact relating solely to the Underwriters) the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;

(ii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, Prospectus or the U.S. Memorandum) contained in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Materials or in any other document or any other part of the Public Record filed by or on behalf of the Corporation;

(iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Receipts or Common Shares issuable pursuant to the Offered Receipts imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in subparagraph 8(a)(ii);

(iv) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities (not based upon the activities or the alleged activities of the Underwriters or their banking or Selling Dealer Group members, if any) prohibiting, restricting, relating to or materially affecting the trading or distribution of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts; or

(v) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the Exchange or any representation, warranty, term or condition of this Agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto;

provided, however, no party who has engaged in any fraud, wilful misconduct, fraudulent misrepresentation or 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, wilful misconduct, fraudulent misrepresentation or negligence (provided that for greater certainty, the foregoing shall not disentitle an Underwriter from claiming indemnification hereunder to the extent that the negligence, if any, relates to the Underwriter's failure to conduct adequate "due diligence").

(b) If any claim contemplated by paragraph 8(a) shall be asserted against any of the persons or corporations in respect of which indemnification is or might reasonably be considered to be provided for in such paragraphs, such person or corporation (the "**Indemnified Person**") shall notify the Corporation (provided that failure to so notify the Corporation of the nature of such claim in a timely fashion shall relieve the Corporation of liability hereunder only if and to the extent that such failure materially prejudices the Corporation's ability to defend such claim) as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such claim, provided however, that the defence shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by paragraph 8(a) if:

(i) the Indemnified Person has been advised by counsel that there may be a reasonable legal defense available to the Indemnified Person which is different from or additional to a defense available to the Corporation and that representation of the Indemnified Person and the Corporation by the same counsel would be inappropriate due to the actual or potential differing interests between them (in which case the Corporation shall not have the right to assume the defense of such proceedings on the Indemnified Person's behalf);

(ii) the Corporation shall not have taken the defense of such proceedings and employed counsel within ten (10) days after notice has been given to the Corporation of commencement of such proceedings; or

(iii) the employment of such counsel has been authorized by the Corporation in connection with the defense of such proceedings;

and, in any such event, the reasonable fees and expenses of such Indemnified Person's counsel (on a solicitor and his client basis) shall be paid by the

Corporation, provided that the Corporation shall not, in connection with any one such action or separate but substantially similar or 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 Persons.

(c) The Corporation hereby waives its rights to recover contribution from the Underwriters with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Material or any other part of the Public Record provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of any misrepresentation which is based upon information relating solely to the Underwriters contained in such document and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, the Prospectus or the U.S. Memorandum.

(d) If any legal proceedings shall be instituted against the Corporation in respect of the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Material or any other part of the Public Record or the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation in respect of the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Material or any other part of the Public Record or the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts and, in either case, any Indemnified Person 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 Persons may employ their own legal counsel and the Corporation shall pay and reimburse the Indemnified Persons for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Persons 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.

(e) The rights and remedies of the Indemnified Persons set forth in paragraphs 8, 9 and 10 hereof are to the fullest extent possible in law cumulative and not alternative and the election by any Underwriter or other Indemnified Person to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any other rights and remedies.

(f) The Corporation hereby acknowledge that the Underwriters are acting as agents for the Underwriters' respective agents, directors, officers, shareholders and employees under this paragraph 8 and under paragraph 9 with respect to all such agents, directors, officers, shareholders and employees.

(g) The Corporation waives any right it may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or claim or to claim payment from any other person before claiming under this indemnity. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.

(h) The rights of indemnity contained in this paragraph 8 shall not apply if the Corporation has complied with the provisions of paragraphs 3 and 4 and the person asserting any claim contemplated by this paragraph 8 was not provided with a copy of the Prospectus or any amendment to the Prospectus or other document which corrects any misrepresentation or alleged misrepresentation which is the basis of such claim and which was required, under Applicable Securities Laws, to be delivered to such person by the Underwriters.

(i) If the Corporation has assumed the defense of any suit brought to enforce a claim hereunder, the Indemnified Person shall provide the Corporation copies of all documents and information in its possession pertaining to the claim, take all reasonable actions necessary to preserve its rights to object to or defend against the claim, consult and reasonably cooperate with the Corporation in determining whether the claim and any legal proceeding resulting therefrom should be resisted, compromised or settled and reasonably cooperate and assist in any negotiations to compromise or settle, or in any defense of, a claim undertaken by the Corporation.

9. **Contribution**

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is, for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit in connection with the distribution of the Offered Receipts), costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses to which they may be subject or which they may suffer or incur:

(a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand, and by the Underwriters on the other hand, from the offering of the Offered Receipts; or

(b) if the allocation provided by paragraph 9(a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in paragraph 9(a) above but also to reflect the relative fault of the Underwriters on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, 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 hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters. In the case of liability arising out of the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Material or any other part of the Public Record, the relative fault of the Corporation, on the one hand, and of the Underwriters, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in paragraph 8 relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of, the Corporation or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in paragraph 8.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit in connection with the distribution of the Offered Receipts), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) whether or not resulting in any action, suit, proceeding or claim.

Each of the Corporation and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraphs. The rights to contribution provided in this paragraph 9 shall be in addition to, and without prejudice to, any other right to contribution which the Underwriters or other Indemnified Persons may have.

Any liability of the Underwriters under this paragraph 9 shall be limited to the amount actually received by the Underwriters under paragraph 2.

10. **Expenses**

Whether or not the transactions contemplated herein shall be completed, all costs and expenses (including applicable goods and services tax) of or incidental to the transactions contemplated hereby including, without limitation, those relating to the distribution of the Offered Receipts shall be borne by the Corporation including, without limitation, all costs and expenses of or incidental to the preparation, filing, reproduction (including the commercial copies thereof) and translation of the Preliminary Prospectus, the Prospectus, the U.S. Memorandum, any Supplementary Material and the delivery thereof to the Underwriters, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation or the Corporation's counsel, the fees and expenses of the Corporation's transfer agent, auditors, engineers and other outside consultants, all stock exchange listing fees, the fees and expenses related to any newspaper advertisements, the cost of preparing record books for all of the parties to this Agreement and their respective counsel and all other costs and expenses relating to this transaction including, without limitation, the reasonable fees and disbursements of Underwriters' counsel and the out-of-pocket expenses of the Underwriters. All fees and expenses incurred by the Underwriters which are reimbursable hereunder shall be payable by the Corporation immediately upon receiving an invoice therefor from the Underwriters.

11. **Termination**

(a) The Underwriters, or any of them, may, without liability, terminate their obligations hereunder, by written notice to the Corporation in the event that after the date hereof and at or prior to the Closing Time:

(i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Receipts, the Common Shares issuable pursuant to the Offered Receipts is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the Exchange or any other competent authority, and has not been rescinded, revoked or withdrawn;

(ii) any inquiry, investigation (whether formal or informal) or other proceeding in relation to the Corporation or any of its Subsidiaries or any of the directors or senior officers of the Corporation is announced, commenced or threatened by any securities commission or similar regulatory authority, the Exchange or any other competent authority or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the reasonable opinion of the Underwriters or any one of them, the change, announcement, commencement or threatening thereof adversely affects the trading or distribution of the Offered Receipts, the Common Shares issuable pursuant to the Offered Receipts or any other securities of the Corporation;

(iii) there shall have occurred or been announced any adverse change, as determined by the Underwriters or any one of them in their sole discretion, acting reasonably, in the business, operations, capital or condition (financial or otherwise), business or business prospects of the Corporation or any of its Subsidiaries or the respective properties, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or any of its Subsidiaries which in the Underwriters' opinion, could reasonably be expected to have a significant adverse effect on the market price or value of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts or any other securities of the Corporation or the investment quality or marketability of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts;

(iv) there should develop, occur or come into effect or existence, or be announced, any event, action, state, condition or occurrence of national or international consequence, or any law, action, regulation or other occurrence of any nature whatsoever, which, in the sole opinion of the Underwriters or any one of them, acting reasonably, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets generally or the business, operations or affairs of the Corporation and its Subsidiaries on a consolidated basis;

(v) the Underwriters shall become aware of any material information with respect to the Corporation or any of its Subsidiaries which had not been publicly disclosed or disclosed in writing to the Underwriters at or prior to the date hereof and which in the sole opinion of the Underwriters or any one of them, acting reasonably, could be expected to have a significant adverse effect on the market price or value of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts or any other securities of the Corporation or the investment quality or marketability of the Offered Receipts or the Common Shares issuable pursuant to the Offered Receipts;

(vi) the Corporation shall be in breach or default under or non-compliance with any representation, warranty, term or condition of this Agreement in any material respect; or

(vii) the Termination Time has occurred.

(b) The Underwriters, or any of them, may exercise any or all of the rights provided for in paragraph 11(a) or paragraph 12 or 16 notwithstanding any material change, change, event or state of facts and (except where the Underwriter purporting to exercise any of such rights is in breach of its obligations under this Agreement) notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Underwriters related to the offering or continued offering of the Offered Receipts for sale and any act taken by the Underwriters in connection with any amendment to the Prospectus (including the execution of any amendment or any other Supplementary Material) and the Underwriters shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to paragraph 11(a) or paragraph 12 or 16 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

(c) Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation provided that no termination shall discharge or otherwise affect any obligation of the Corporation under paragraph 8, 9, 10 or 16. The rights of the Underwriters to terminate their obligations hereunder are in addition to, and without prejudice to, any other remedies they may have.

(d) If an Underwriter elects to terminate its obligation to purchase the Offered Receipts as aforesaid, whether the reason for such termination is within or beyond the control of the Corporation the liability of the Corporation hereunder shall be limited to the indemnity referred to in paragraph 8, the contribution rights referred to in paragraph 9 and the payment of expenses referred to in paragraph 10.

12. **Closing Documents**

The obligations of the Underwriters hereunder, as to the Offered Receipts to be purchased at the Closing Time, shall be conditional upon all representations and warranties and other statements of the Corporation herein being, at and as of the Closing Time, true and correct in all material respects, the Corporation having performed in all material respects, at the Closing Time, all of its obligations hereunder theretofore to be performed and the Underwriters receiving at the Closing Time:

(a) favourable legal opinions of the Corporation's counsel and the Underwriters' counsel addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, with respect to such matters as the Underwriters may reasonably request relating to the offering of the Offered Receipts, the Corporation and its Subsidiaries and the transactions contemplated hereby, including, without limitation, that:

(i) each of the Corporation and IEI has been duly incorporated or amalgamated, as the case may be, and is validly subsisting under the laws of the jurisdiction of its incorporation or formation, as the case may be, and has all requisite corporate capacity, power and authority to carry on its business as now conducted by it and to own its properties and assets and is qualified to carry on business under the laws of the jurisdictions where it carries on a material portion of its business and the Partnership is a general partnership duly formed and existing under the laws of the Province of Alberta and has all requisite partnership power and authority to carry on its business as now conducted by it and to own its property and assets and is qualified to carry on business under the laws of the jurisdictions where it carries on a material portion of its business;

(ii) the Corporation has full corporate power and authority to enter into this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement and to perform its obligations set out herein and therein and this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement have been duly authorized, executed and delivered by the Corporation and each of this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;

(iii) the execution and delivery of this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement and the fulfillment of the terms hereof and thereof by the Corporation, and the performance of and compliance with the terms of this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement by the Corporation does not and will not result in a breach of, or constitute a 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 constitute a default under:

(A) any applicable laws of the Province of Alberta or the federal laws of Canada applicable therein;

(B) any term or provision of the articles, by-laws or other constating documents, as applicable, of the Corporation or any Subsidiary, or any resolutions of the shareholders or partners, as applicable, or directors (or any committee thereof) of the Corporation or any Subsidiary;

(C) of which counsel is aware, any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound on the Closing Date; or

(D) of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over the Corporation or any Subsidiary or their respective properties or assets,

which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) or assets of the Corporation and its Subsidiaries (taken as a whole);

(iv) the Corporation is the registered and/or beneficial holder of all issued and outstanding securities of each of its Subsidiaries, all of which have been duly authorized and validly issued as fully paid and non-assessable;

(v) the form of the definitive certificate representing the Offered Receipts and Common Shares have been approved and adopted by the board of directors of the Corporation and comply with all legal requirements (including all applicable requirements of the Exchange) relating thereto;

(vi) the Offered Receipts have been duly and validly created, allotted and issued as fully paid and non-assessable Subscription Receipts of the Corporation;

(vii) the Common Shares issuable pursuant to the Offered Receipts will, upon issuance in accordance with the terms of the Subscription Receipt Agreement, be issued as fully paid and non-assessable Common Shares of the Corporation;

(viii) the Corporation and the attributes of the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts conform in all material respects with the description thereof contained in the Prospectuses;

(ix) the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts are eligible investments as out under the heading "Eligibility for Investment" in the Prospectuses;

(x) all necessary documents have been filed, all necessary proceedings have been taken and all legal requirements have been fulfilled as required under the Applicable Securities Laws of each of the Qualifying Provinces in order to qualify the Offered Receipts for distribution and sale to the public in each of such Qualifying Provinces by or through investment dealers and brokers duly registered under the applicable laws of such provinces who have complied with the relevant provisions of such Applicable Securities Laws;

(xi) no filing, proceeding, approval, consent or authorization is required to be made, taken or obtained by the Corporation under Applicable Securities Laws to permit the issuance by the Corporation of the Common Shares issuable pursuant to the Offered Receipts, provided that no commission or other remuneration is paid or given in respect of the distribution except for administrative or professional services or for services performed by a registered dealer;

(xii) the first trade by a holder of Common Shares received pursuant to the Offered Receipts will not be subject to the prospectus requirements of Applicable Securities Laws and no filing, proceeding, approval, consent or authorization under Applicable Securities Laws will be required to permit the trading of such Common Shares in the Qualifying Provinces, provided that the trade is not a "control distribution" as such term is defined in National Instrument 45-102 ("**NI 45-102**") and the Corporation is a "reporting issuer" for the purposes of NI 45-102 at the time of such trade in the jurisdiction where such trade occurs;

(xiii) the Corporation is a "reporting issuer" not in default of any requirement of the *Securities Act* (Alberta) and the regulations thereunder and has a similar status under the Applicable Securities Laws of each of the other Qualifying Provinces;

(xiv) the Corporation has the necessary corporate power and authority to execute and deliver the Prospectuses and all necessary corporate action has been taken by the Corporation to authorize the execution and delivery by it of the Prospectuses and the filing thereof, as the case may be, in each of the Qualifying Provinces in accordance with Applicable Securities Laws;

(xv) subject to the qualifications set out therein, the statements in the Prospectus under the heading "Certain Canadian Federal Income Tax Considerations" constitute a fair summary of the principal Canadian federal income tax consequences arising under the Tax Act to persons referred to therein who hold Offered Receipts;

(xvi) the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts are conditionally listed and, upon notification to the Exchange of the issuance and sale thereof and fulfillment of the conditions of the Exchange, will be posted for trading on the Exchange;

(xvii) the authorized and issued capital of the Corporation;

(xviii) Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and in Toronto, Ontario has been duly appointed the transfer agent and registrar for the Common Shares and the Offered Receipts, and has been duly appointed the escrow agent under the Subscription Receipt Agreement;

and as to all other legal matters, including compliance with Applicable Securities Laws in any way connected with the issuance, sale and delivery of the Offered Receipts as the Underwriters may reasonably request.

It is understood that the respective counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than where they are qualified to practice law, and on certificates of officers of the Corporation, the transfer agent and the Corporation's auditors as to relevant matters of fact. It is further understood that the Underwriters' counsel may rely on the opinion of the Corporation's counsel as to matters which specifically relate to the Corporation, its Subsidiaries, the Offered Receipts or the Common Shares, including the issuance of the Offered Receipts;

(b) a legal opinion of Dorsey Whitney LLP, the Corporation's special United States legal counsel, addressed to the Underwriters, in form and substance acceptable to the Underwriters and their counsel, acting reasonably, to the effect that registration of the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts under the U.S. Securities Act is not required for their offer and sale in the United States and to U.S. Persons, provided that such offers and sales are made in accordance with this Agreement;

(c) a certificate of the Corporation dated the Closing Date addressed to the Underwriters and signed on behalf of the Corporation by the President and Chief Executive Officer and Chief Financial Officer of the Corporation or such other officers or directors of the Corporation satisfactory to the Underwriters, acting reasonably, certifying that:

(i) the Corporation has complied with and satisfied in all material respects all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time;

(ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct in all material respects at the Closing Time, as if made at such time; and

(iii) no event of a nature referred to in paragraph 6(a), 6(b), 11(a)(i), 11(a)(ii), 11(a)(iii) or 11(a)(vi) has occurred or to the knowledge of such officer is pending, contemplated or threatened;

and each such statement shall be true and the Underwriters shall have no knowledge to the contrary;

(d) a comfort letter of each of the Corporation's auditors and the Purchased Properties' auditors addressed to the Underwriters and dated the Closing Date, satisfactory in form and substance to the Underwriters, acting reasonably, bringing the information contained in the comfort letter or letters referred to in paragraph 4(c) hereof up to the Closing Time, which comfort letter shall be not more than two Business Days prior to the Closing Date;

(e) evidence satisfactory to the Underwriters that the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts have been conditionally listed on the Exchange, not later than the close of business on the last Business Day preceding the Closing Date, in the case of the Offered Receipts, and upon notice to the Exchange, in the case of the Common Shares issuable pursuant to the Offered Receipts, and shall be posted for trading as at the opening of business on the Closing Date or first trading date after notice of such issuance, as applicable;

(f) evidence satisfactory to the Underwriters that the Acquisition Agreement has not been terminated and that no event has occurred or condition exists which will prevent the Acquisition from being completed prior to 5:00 p.m. (Calgary time) on August 31, 2006 substantially and in all material respects as contemplated in the Acquisition Agreement, and as such agreement is described in the Prospectus; and

(g) such other certificates and documents as the Underwriters may request, acting reasonably.

13. **Deliveries**

(a) The sale of the Offered Receipts to be purchased hereunder shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in paragraph 12, the Underwriters, on the Closing Date, shall deliver to the Escrow Agent, on behalf of the Corporation, the amount of $4.05 for each Offered Receipt (being an aggregate amount of $25,110,000), in respect of the Offered Receipts, by wire transfer, against delivery by the Corporation of:

(i) the opinions, certificates and documents referred to in paragraph 12;

(ii) definitive certificates representing, in the aggregate, all of the Offered Receipts which the Underwriters have elected to purchase hereunder registered, subject to paragraph (b) below, in the name of CDS & Co. or in such name or names as the Underwriters shall notify the Corporation in writing not less than 24 hours prior to the Closing Time; and

(iii) payment to FirstEnergy Capital Corp., by certified cheque, bank draft or wire transfer or such other means as the Corporation and the Underwriters may agree, of the fee provided for in paragraph 2(a) in respect of the Offered Receipts.

(b) If the Corporation determines to issue the Offered Receipts as a book-entry only security in accordance with the rules and procedures of The Canadian Depository for Securities Limited ("**CDS**"), then, as an alternative to the Corporation delivering to the Underwriters definitive certificates representing the Offered Receipts in the manner and at the times set forth in this paragraph 13:

(i) the Underwriters will provide a direction to CDS with respect to the crediting of the Offered Receipts to the accounts of the participants of CDS as shall be designated by the Underwriters in writing in sufficient time prior to the Closing Date to permit such crediting; and

(ii) the Corporation shall cause Computershare Trust Company of Canada, as registrar and transfer agent of the Offered Receipts, to deliver to CDS, on behalf of the Underwriters, one fully registered global certificate for the Offered Receipts to be purchased hereunder, registered in the name of "CDS & Co." as the nominee of CDS, to be held by CDS as a book-entry only security in accordance with the rules and procedures of CDS.

14. **Restrictions on Offerings**

The Corporation agrees that prior to 90 days after the Closing Date, it shall not directly or indirectly, sell or offer to sell any Common Shares or otherwise lend, transfer or dispose of any securities exchangeable, convertible or exercisable into Common Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Shares, whether any such transaction is settled by delivery of Common Shares or other such securities, in cash or otherwise, or announce any intention to do any of the foregoing, without the consent of FirstEnergy Capital Corp., on behalf of the Underwriters, such consent not to be unreasonably withheld (provided that the foregoing will not restrict the Corporation from granting options pursuant to the Corporation's stock option plan (the "**Option Plan**") or issuing Common Shares pursuant to (a) the exercise of rights to purchase Common Shares outstanding under the Option Plan on the date hereof, (b) the Subscription Receipts, or (c) existing instruments already issued.

15. **Notices**

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation be addressed to Iteration Energy Ltd., c/o Mr. Brian L. Illing, President and Chief Executive Officer, at the above address, Fax No. (403) 266-1814 with a copy to:

Bennett Jones LLP
4500, 855 - 2nd Street S.W.
Calgary, Alberta
T2P 4K7

Attention: Darrell R. Peterson
Fax No.: (403) 265-7219

and, in the case of notice to be given to the Underwriters, be addressed to:

FirstEnergy Capital Corp.
1100, 311 - 6th Avenue S.W.
Calgary, Alberta
T2P 3H2

Attention: Nicholas J. Johnson
Fax No.: (403) 262-0688

Peters & Co. Limited
3900, 888 - 3rd Street S.W.
Calgary, Alberta
T2P 5C5

Attention: Cameron E. Plewes
Fax No.: (403) 261-7570

Wellington West Capital Markets Inc.
1100, 255 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G6

Attention: Jeff A. Reymer
Fax No.: (416) 642-1910

BMO Nesbitt Burns Inc.
2200, 333 - 7th Avenue S.W.
Calgary, Alberta
T2P 2Z1

Attention: Eric L. Toews
Fax No.: (403) 515-1535

Tristone Capital Inc.
2020, 335 - 8th Avenue S.W.
Calgary, Alberta
T2P 1C9

Attention: Gurdeep S. Gill
Fax No.: (403) 539-4366

and a copy to:

Blake, Cassels & Graydon LLP
3500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4J8

Attention: Scott R. Cochlan
Fax No.: (403) 260-9700

or to such other address as the party may designate by notice given to the other. Each communication shall be personally delivered to the addressee or sent by facsimile transmission to the addressee, and:

(a) a communication which is personally delivered shall, if delivered before 4:00 p.m. (local time at the place of delivery) on a Business Day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first Business Day following the day on which it is delivered; and

(b) a communication which is sent by facsimile transmission shall, if sent on a Business Day before 4:00 p.m. (local time at the place of receipt), be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is sent.

16. **Conditions**

All terms, covenants and conditions of this Agreement to be performed by the Corporation shall be construed as conditions, and any breach or failure to comply with any material terms and conditions which are for the benefit of the Underwriters shall entitle the Underwriters to terminate their obligations to purchase the Offered Receipts, by written notice to that effect given to the Corporation prior to the Closing Time. The Underwriters may waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of their rights in respect of any other representation, warranty, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Underwriters only if the same is in writing.

17. **Survival of Representations and Warranties**

All representations, warranties, terms and conditions herein (including, without limitation, those contained in paragraph 7) or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the payment by the Underwriters for the Offered Receipts, the termination of this Agreement and the distribution of the Offered Receipts pursuant to the Prospectus and the U.S. Memorandum and shall continue in full force and effect for the benefit of the Underwriters regardless of any investigation by or on behalf of the Underwriters with respect thereto.

18. **Several Liability of Underwriters**

The Underwriters' rights and obligations under this Agreement are several and not joint and several including, without limitation, that:

(a) each of the Underwriters shall be obligated to purchase only the percentage of the total number of Offered Receipts set forth opposite their names set forth in this paragraph 18; and

(b) if any one or more of the Underwriters shall not purchase its applicable percentage of the Offered Receipts at the Closing Time, then the other Underwriters shall have the right, but shall not be obligated, to purchase all of the percentage of the Offered Receipts which would otherwise have been purchased by such one or more of the Underwriters; the Underwriters exercising such right shall purchase such Offered Receipts *pro rata* to their respective percentages aforesaid or in such other proportions as they may otherwise agree. In the event such right is not exercised, the Underwriters which are not in default shall be entitled by written notice to the Corporation to terminate this Agreement without liability.

The applicable percentage of the total number of Offered Receipts which each of the Underwriters shall be separately obligated to purchase is as follows:

FirstEnergy Capital Corp.	50.0%
Peters & Co. Limited	17.5%
Wellington West Capital Markets Inc.	12.5%
BMO Nesbitt Burns Inc.	10.0%
Tristone Capital Inc.	10.0%
	100%

Nothing in this Agreement shall obligate the Corporation to sell the Underwriters less than all of the Offered Receipts or shall relieve any Underwriter in default from liability to the Corporation or any non-defaulting Underwriter in respect of the defaulting Underwriter's default hereunder. In the event of a termination by the Corporation of its obligations under this Agreement there shall be no further liability on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may thereafter arise under paragraphs 8, 9 and 10.

19. **Authority to Bind Underwriters**

The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by FirstEnergy Capital Corp., which shall represent the Underwriters and which shall have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under paragraph 8 or 9, any matter referred to in paragraph 11 or any agreement under paragraph 18. While not affecting the foregoing, FirstEnergy Capital Corp. shall consult with the other Underwriters with respect to any such notice, waiver, extension or other communication.

20. **Underwriters Covenants**

Each of the Underwriters covenants and agrees with the Corporation that it will:

(a) offer the Offered Receipts for sale to the public in the Qualifying Provinces and may, subject to the terms of this Agreement, offer them for sale in the United States in the manner contemplated by Schedule "A" attached hereto;

(b) conduct activities in connection with the proposed offer and sale of the Offered Receipts in compliance with all the Applicable Securities Laws and cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of the Offered Receipts;

(c) use all reasonable efforts to complete the distribution of Offered Receipts as soon as possible;

(d) not solicit subscriptions for the Offered Receipts, trade in Offered Receipts or otherwise do any act in furtherance of a trade of Offered Receipts in any jurisdictions outside of the Qualifying Provinces, except as contemplated in Schedule "A" attached hereto or in such other jurisdictions outside of Canada and the United States provided that such sales are made in accordance with the applicable securities laws of such jurisdictions and not engage in the Directed Selling Efforts as described in Schedule "A"; and

(e) as soon as reasonably practicable after the Closing Date provide the Corporation with a break down of the number of Offered Receipts sold in each of the Qualifying Provinces and, upon completion of the distribution of the Offered Receipts, provide to the Corporation and to the Securities Commissions notice to that effect, if required by Applicable Securities Laws.

No Underwriter will be liable to the Corporation under this paragraph 20 with respect to a default by any of the other Underwriters but will be liable to the Corporation only for its own default.

21. **Severance**

If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

22. **Relationship Between the Corporation and the Underwriters**

The Corporation: (i) acknowledges and agrees that the Underwriters have certain statutory obligations as registrants under the Applicable Securities Laws and have fiduciary relationships with their clients; (ii) acknowledge and agree that the Underwriters are neither the agents of the Corporation nor otherwise fiduciaries of the Corporation; and (iii) consents to the Underwriters acting hereunder while continuing to act for their clients. To the extent that the Underwriters' statutory obligations as registrants under the Applicable Securities Laws or fiduciary relationships with their clients conflicts with their obligations hereunder the Underwriters shall be entitled to fulfil their statutory obligations as registrants under the Applicable Securities Laws and their duties to their clients. Nothing in this Agreement shall be interpreted to prevent the Underwriters from fulfilling their statutory obligations as registrants under the Applicable Securities Laws or to act as a fiduciary of their clients.

23. **Stabilization**

In connection with the distribution of the Offered Receipts, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Offered Receipts and Common Shares at levels other than those which might otherwise prevail in the open market, but in each case only as permitted by applicable law. Such stabilizing transactions, if any, may be discontinued at any time.

24. **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each of the Corporation and the Underwriters hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

25. **Time of the Essence**

Time shall be of the essence of this Agreement.

26. **Counterpart Execution**

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement. Delivery of counterparts may be effected by facsimile transmission.

27. **Further Assurances**

Each party to this Agreement covenants agrees that from time to time, it will, at the request of the requesting party, execute and deliver all such documents and do all such other acts and things as any party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

28. **Use of Proceeds**

The Corporation hereby covenants and agrees to use the net proceeds of the sale of the Offered Receipts hereunder in accordance with the disclosure in the Prospectus.

29. **U.S. Offers**

(a) The Underwriters make the representations, warranties and covenants applicable to them in Schedule "A" hereto and agree, on behalf of themselves and their United States affiliates, for the benefit of the Corporation, to comply with the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule "A" hereto, which forms part of this Agreement. Notwithstanding the foregoing provisions of this paragraph, an Underwriter will not be liable to the Corporation under this paragraph or Schedule "A" with respect to a violation by another Underwriter of the provisions of this paragraph or Schedule "A" if the former Underwriter is not itself also in violation.

(b) The Corporation makes the representations, warranties and covenants applicable to it in Schedule "A" hereto.

30. **Entire Agreement**

It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation.

(The remainder of this page is intentionally left blank.)

If the foregoing is in accordance with your understanding and is agreed to by you, please confirm your acceptance by signing the enclosed copies of this letter at the place indicated and by returning the same to FirstEnergy Capital Corp.

FIRSTENERGY CAPITAL CORP.

By: *"Nicholas J. Johnson"*

PETERS & CO. LIMITED

By: *"Cameron E. Plewes"*

WELLINGTON WEST CAPITAL MARKETS INC.

By: *"Jeff A. Reymer"*

BMO NESBITT BURNS INC.

By: *"Eric L. Toews"*

TRISTONE CAPITAL INC.

By: *"Gurdeep S. Gill"*

ACCEPTED AND AGREED to as of the 14th day of June, 2006.

ITERATION ENERGY LTD.

By: *"Brian L. Illing"*

SCHEDULE "A"

TERMS AND CONDITIONS FOR UNITED STATES OFFERS AND SALES

This is Schedule A to the Underwriting Agreement among FirstEnergy Capital Corp., Peters & Co. Limited, Wellington West Capital Markets Inc., BMO Nesbitt Burns Inc., Tristone Capital Inc. and Iteration Energy Ltd. made as of June 14, 2006.

As used in this Schedule "A", the following terms shall have the meanings indicated:

(a) "**Directed Selling Efforts**" means directed selling efforts as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, 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 Securities and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Securities;

(b) "**Foreign Issuer**" shall have the meaning ascribed thereto in Regulation S. Without limiting the foregoing, but for greater clarity, it means any issuer which is (a) the government of any country other than the United States, of any political subdivision thereof or a national of any country other than the United States; or (b) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions: (1) more than 50 percent of the outstanding voting securities of such issuer are held of record either directly or indirectly by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

(c) "**Institutional Accredited Investor**" means an "accredited investor" as defined in Rule 501(a) of Regulation D, that satisfies the requirements of Rule 501(a)(1), (2), (3) or (7);

(d) "**NASD**" means the National Association of Securities Dealers, Inc.;

(e) "**Offshore Transaction**" means "offshore transaction" as that term is defined in Regulation S;

(f) "**Preliminary U.S. Placement Memorandum**" means a preliminary private placement memorandum, including the Preliminary Prospectus, in form and substance satisfactory to the Corporation and the Underwriters;

(g) "**Qualified Institutional Buyer**" means a "qualified institutional buyer" as that term is defined in Rule 144A;

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

(i) "**Receipt Shares**" means Common Shares issuable pursuant to the Offered Receipts;

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

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

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

(m) "**Securities**" means the Offered Receipts and the Receipt Shares;

(n) "**Substantial U.S. Market Interest**" means substantial U.S. market interest as that term is defined in Regulation S;

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

(p) "**U.S. Person**" means "U.S. person" as that term is defined in Regulation S;

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

(r) "**U.S. Placement Memorandum**" means a final private placement memorandum, including the Prospectus, in form and substance satisfactory to the Corporation and the Underwriters; and

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

<u>Representations, Warranties and Covenants of the Underwriters</u>

Each Underwriter acknowledges that the Offered Receipts and the Receipt Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and U.S. state securities laws. Accordingly, each Underwriter, severally and not jointly, represents, warrants and covenants to the Corporation that:

1. It has not offered or sold, and will not offer or sell, any Offered Receipts or Receipt Shares forming part of its allotment or otherwise as a part of the distribution except (a) in an Offshore Transaction to a person that is not a U.S Person or purchasing for the account or benefit of a U.S. Person, in accordance with Rule 903 of Regulation S or (b) in the

United States and to U.S. Persons as provided in paragraphs 2 through 11 below. Accordingly, neither such Underwriter, its affiliates nor any person acting on its or their behalf, has made or will make (except as permitted in paragraphs 2 through 11 below) (i) any offer to sell or any solicitation of an offer to buy, any Securities to any person in the United States or a U.S. Person, (ii) any sale of Securities to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States and not a U.S. Person or purchasing for the account or benefit of a U.S. Person, or such Underwriter, affiliate or person acting on behalf of either reasonably believed that such purchaser was outside the United States and not a U.S. Person or purchasing for the account or benefit of a U.S. Person, or (iii) any Directed Selling Efforts with respect to the Securities.

2. It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Securities except with its affiliates or members of the Selling Dealer Group, or with the prior written consent of the Corporation. It shall require each member of the Selling Dealer Group to agree in writing, for the benefit of the Corporation, to comply with, and shall use its best efforts to ensure that each member of the Selling Dealer Group complies with, the provisions of this Schedule A as if such member of the Selling Dealer Group were an Underwriter.

3. All offers and sales of Securities in the United States or to U.S. Persons have been and will be made through the Underwriter's U.S. registered broker-dealer affiliate ("**U.S. Affiliate**") in compliance with all applicable U.S. federal and state laws and regulations governing the registration and conduct of securities brokers and dealers and the rules of the NASD. Such U.S. Affiliate is a Qualified Institutional Buyer has been and will be, on the date of each offer or sale of Securities in the United States, duly registered as a broker-dealer pursuant to Section 15(b) of the U.S. Exchange Act and the securities laws of each state in which such offer or sale is made (unless exempted from the respective state’s broker-dealer registration requirements) and is and will be a member of and in good standing with the NASD.

4. Offers and sales of Securities in the United States have not been and will not be made by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act.

5. The Underwriters shall not offer or sell Securities in the United States or to or for the account or benefit of U.S. Persons except that offers, sales and solicitations of offers to buy Securities may be made exclusively (i) on behalf of the Underwriter or its U.S. Affiliate, acting as principal, in compliance with Rule 144A to persons reasonably believed to be Qualified Institutional Buyers, or (ii) on behalf of the Corporation in compliance with Rule 506 of Regulation D to persons reasonably believed to be Institutional Accredited Investors who will purchase Offered Receipts directly from the Corporation, and, in each case, in transactions that are exempt from registration under and in compliance with applicable state securities laws.

6. All purchasers of the Securities that are in the United States or U.S. Persons shall be informed that the Securities 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 or Rule 506 of Regulation D, as applicable, thereunder.

7. Each offeree of Securities that is in the United States or a U.S. Person has been or shall be provided with one or both of the Preliminary U.S. Placement Memorandum including the Preliminary Prospectus and the U.S. Placement Memorandum including the Prospectus. Each purchaser of Securities that is in the United States or a U.S. Person will have received prior to the time of purchase of any Securities the U.S. Placement Memorandum including the Prospectus.

8. Prior to completion of any sale of Offered Receipts by the Corporation to an Institutional Accredited Investor in reliance on Rule 506 of Regulation D, each purchaser thereof will be required to execute a U.S. subscription agreement in the form attached to the U.S. Placement Memorandum ("**U.S. Subscription Agreement**"). Each purchaser of Securities in the United States that does not execute and deliver a U.S. Subscription Agreement prior to the sale of Securities shall be a Qualified Institutional Buyer purchasing the Securities from the Underwriter or its U.S. Affiliate and shall be deemed to have made, at the time of purchase, the representations, warranties and covenants set forth in the U.S. Placement Memorandum.

9. Prior to the Closing Date, it will provide the Corporation and its transfer agent with a list of all purchasers of the Offered Receipts that are in the United States or U.S. Persons, and in each case indicate whether such purchaser is a Qualified Institutional Buyer purchasing pursuant to Rule 144A or an Institutional Accredited Investor purchasing pursuant to Rule 506 of Regulation D and the state or other jurisdiction in which the Offered Receipts were offered or sold to such purchaser. Prior to the Closing Time, it will provide the Corporation with copies of all U.S. Subscription Agreements for acceptance by the Corporation.

10. At the Closing Time, each Underwriter will either (i) together with its U.S. Affiliate provide to the Corporation a certificate in the form of Exhibit A to this Schedule relating to the manner of the offer and sale of the Offered Receipts in the United States, or (ii) be deemed to have represented and warranted to the Corporation, as of the Closing Time, that it did not and will not offer or sell any of the Securities in the United States or to or for the account or benefit of a U.S. Person.

11. None of the Underwriter, its affiliates or any person acting on behalf of any of them has violated or will violate Regulation M under the U.S. Exchange Act in connection with offers and sales of the Securities.

Representations, Warranties and Covenants of the Corporation

The Corporation represents, warrants, covenants and agrees that:

1. (a) The Corporation is, and at the Closing Time will be, a Foreign Issuer and the Corporation reasonably believes that there is no Substantial U.S. Market Interest in any of its securities; (b) the Corporation is not now and as a result of the sale of Securities contemplated hereby will not be, an open-end investment company, a unit investment trust or a face-amount certificate company registered or required to be registered or a closed-end investment company required to be registered, but not registered, under the United States Investment Company Act of 1940, as amended; (c) the Securities are not, and as of the Closing Time will not be, and no securities of the same class as the Securities are or will be, (i) listed on a national securities exchange registered under Section 6 of the U.S. Exchange Act, (ii) quoted in a "U.S. automated inter-dealer quotation system", as such term is used in Rule 144A, or (iii) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted; and (d) neither the Corporation nor any of its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.

2. During the period in which the Securities are offered for sale, neither the Corporation nor any of its affiliates, nor any person acting on its or their behalf (except the Underwriters, their affiliates and any persons acting on any of their behalf, in respect of which no representation is made) (i) has made or will make any Directed Selling Efforts with respect to any of the Securities, (ii) has engaged in or will engage in any form of general solicitation or general advertising (as those terms are used in Regulation D) with respect to offers or sales of the any of the Securities in the United States, including 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 have been invited by general solicitation or general advertising, (iii) has violated or will violate Regulation M under the U.S. Exchange Act in connection with offers and sales of the any of the Securities, (iv) has made or will make any offer or sale of the Securities in the United States except through the Underwriters as set forth in this Schedule "A" or (v) has taken or will take any other action that would cause the exemptions or exclusions from registration provide by Rule 903 of Regulation S, Rule 144A or Rule 506 of Regulation D to be unavailable with respect to offers and sales of the Securities pursuant to this Schedule "A".

3. During the period in which the Offered Receipts are outstanding, neither the Corporation nor any of its affiliates, nor any person acting on its or their behalf (except the Underwriters, their affiliates and any persons acting on any of their behalf, in respect of which no representation is made) has made or will make any offer or sale of the Receipt Shares in the United States other than in compliance with the Subscription Receipt Agreement or has paid or will pay any commission or other remuneration for soliciting the exchange of Offered Receipts for Receipt Shares.

4. The Corporation has not and will not, during the period beginning six months prior to the start of the offering of Securities and ending six months after the completion of the

offering of Offered Receipts sell, offer for sale or solicit any offer to buy any of its securities in the United States in a manner that would be integrated with and would cause the exemptions from registration provided by Rule 144A or Rule 506 of Regulation D or the exclusion from registration provided by Rule 903 of Regulation S to be unavailable with respect to offers and sales of the Securities pursuant to this Schedule "A".

5. For so long as any of the Securities are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and if the Corporation is not subject to and in compliance with the reporting requirements of Section 13 or Section 15(d) of the U.S. Exchange Act or exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Corporation will provide to any holder of such securities, or to any prospective purchaser of such securities designated by such holder, upon the request of such holder or prospective purchaser, at or prior to the time of resale, the information required to be provided by Rule 144A(d)(4).

EXHIBIT A
UNDERWRITERS' CERTIFICATE

In connection with the private placement in the United States of Subscription Receipts of Iteration Energy Ltd.. (the "**Corporation**") pursuant to the Underwriting Agreement dated as of June 14, 2006 among the Corporation and the Underwriters named therein (the "**Underwriting Agreement**"), each of the undersigned does hereby certify as follows:

(i) **[Name of U.S. broker-dealer affiliate]** (the "**U.S. Affiliate**") was on the date of each offer or sale of Offered Receipts we made in the United States, and is on the date hereof, duly registered as a broker-dealer pursuant to Section 15(b) of the U.S. Exchange Act and the securities laws of each state in which such offer or sale is made (unless exempted from the respective state's broker-dealer registration requirements) and a member of and in good standing with the National Association of Securities Dealers, Inc. (the "**NASD**");

(ii) all offers and sales of Offered Receipts that we made in the United States were made by the U.S. Affiliate in compliance with all applicable U.S. federal and state laws and regulations governing the registration and conduct of securities brokers and dealers and the rules of the NASD;

(iii) we provided each offeree of Offered Receipts that was in the United States or a U.S. Person a copy of one or both of the Preliminary U.S. Placement Memorandum including the Preliminary Prospectus and the U.S. Placement Memorandum including the Prospectus, and we provided each purchaser of Offered Receipts that was in the United States or a U.S. Person, prior to the sale of Offered Receipts to such purchaser, with a copy of the U.S. Placement Memorandum including the Prospectus;

(iv) immediately prior to our transmitting any such materials to an offeree that was in the United States or a U.S. Person, we had reasonable grounds to believe and did believe that each offeree was a Qualified Institutional Buyer, or an Institutional Accredited Investor and, on the date hereof, we continue to believe, that each person in the United States or U.S. Person purchasing Offered Receipts from us pursuant to Rule 144A is a Qualified Institutional Buyer and that each person in the United States or U.S. Person purchasing the Offered Receipts from the Corporation pursuant to a U.S. Subscription Agreement in reliance on Rule 506 of Regulation D is an Institutional Accredited Investor;

(v) no form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act) was used by us, including 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 Offered Receipts in the United States or to U.S. Persons;

(vi) prior to any sale of Offered Receipts by the Corporation to an Institutional Accredited Investor in reliance on Rule 506 of Regulation D, we caused each purchaser thereof to execute a U.S. Subscription Agreement in the form attached to the U.S. Placement Memorandum;

(vii) we have reasonable grounds to believe and do believe that each purchaser of Offered Receipts in the United States or that is a U.S. Person that has not executed and delivered a U.S. Subscription Agreement prior to the sale of Offered Receipts is a Qualified Institutional Buyer purchasing the Offered Receipts from us, and such purchaser is deemed to have made, at the time of purchase, the representations, warranties and covenants set forth in the U.S. Placement Memorandum; and

(viii) the offering of the Offered Receipts has been conducted by us in accordance with the terms of the Underwriting Agreement, including Schedule "A" thereto.

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 _______________________, 2006.

[NAME OF UNDERWRITER]	**[U.S. BROKER-DEALER AFFILIATE]**
By: ________________________________	By: ________________________________
Name:	Name:
Title:	Title: