ARRANGEMENT AGREEMENT

between

ITERATION ENERGY LTD.

and

CYRIES ENERGY INC.

Made as of January 20, 2008

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of January 20, 2008,

BETWEEN:

ITERATION ENERGY LTD., a body corporate amalgamated under the laws of the Province of Alberta ("**Iteration**"),

AND

CYRIES ENERGY INC., a body corporate amalgamated under the laws of the Province of Alberta ("**Cyries**"),

WHEREAS:

A. each of Iteration and Cyries wishes to combine their respective assets and businesses by way of a court approved plan of arrangement under the *Business Corporations Act* (Alberta);

B. directors and officers of Cyries (who control approximately 12.6% of the securities to be voted in respect of the transaction) have entered into voting agreements to support the transactions described herein; and

C. the parties hereto have entered into this Arrangement Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement;

NOW THEREFORE IN CONSIDERATION of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Defined Terms

In this Agreement, unless the context otherwise requires:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder;

(b) "**Acquisition Proposal**" shall have the meaning ascribed thereto in Section 8.3;

(c) "**Agreement**" means this arrangement agreement including the recitals and all Schedules to this agreement, as amended or supplemented from time to time, and **"hereby"**, **"hereof"**, **"herein"**, **"hereunder"**, **"herewith"** and similar terms refer to this Agreement and not to any particular provision of this Agreement;

(d) "**Applicable Laws**" means all applicable laws (including the common law), by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments or other requirements of any Governmental Authority;

(e) "**Arrangement**" means the arrangement under the provisions of Section 193 of the ABCA as set out in the Plan of Arrangement;

(f) "**Arrangement Resolution**" means the special resolution to be considered by the Cyries Securityholders at the Meeting and relating to the Arrangement;

(g) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Section 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted;

(h) "**business day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business;

(i) "**Canadian GAAP**" or "**GAAP**" means Canadian generally accepted accounting principles;

(j) "**Cyries**" means Cyries Energy Inc., a corporation amalgamated pursuant to the laws of the Province of Alberta;

(k) "**Cyries' Counsel**" means Macleod Dixon LLP, or such other legal counsel as may be designated by Cyries;

(l) "**Cyries Disclosure Letter**" means the letter of disclosure dated effective as of the date of this Agreement to be delivered by Cyries to Iteration;

(m) "**Cyries Financial Statements**" means the audited consolidated financial statements of Cyries for the year ended December 31, 2006 and the unaudited consolidated financial statements of Cyries for the nine month period ended September 30, 2007;

(n) "**Cyries Optionholders**" means the holders of Cyries Options;

(o) "**Cyries Options**" means, collectively, the options to purchase Cyries Shares outstanding pursuant to Cyries' incentive share option plan;

(p) "**Cyries Performance Shares**" means the Class B Performance Shares of Cyries;

(q) "**Cyries Public Documents**" means all public documents or information filed by or on behalf of Cyries on SEDAR in compliance with or intended compliance with Applicable Laws;

(r) "**Cyries Securities**" means the Cyries Shares and Cyries Warrants;

(s) "**Cyries Securityholders**" means, collectively, Cyries Shareholders and holders of Cyries Warrants ;

(t) "**Cyries Shareholders**" means the holders of Cyries Shares;

(u) "**Cyries Shares**" means the common shares in the capital of Cyries as constituted on the date hereof;

(v) "**Cyries Termination Fee**" has the meaning ascribed thereto in Section 10.5;

(w) "**Cyries Warrants**" means the outstanding warrants of Cyries, each entitling the holder thereof to purchase one (1) Cyries Share at an exercise price of $1.63;

(x) "**Cyries Work Program**" means the drilling activities and certain other operations described in the letter of Cyries dated as of the date of this Agreement (as accepted by Iteration), subject to such changes that may be agreed to by Iteration and Cyries in writing, each acting reasonably;

(y) "**Certificate of Arrangement**" means the certificate to be issued by the Registrar pursuant to Section 193(11) of the ABCA giving effect to the Arrangement;

(z) "**Closing**" means the completion of the Plan of Arrangement;

(aa) "**Competition Act**" means the *Competition Act*, R.S. 1985, c. C-34, as amended;

(bb) "**Confidential Information**" shall have the meaning given to it in the Confidentiality Agreement;

(cc) "**Confidentiality Agreement**" means the mutual confidentiality and standstill agreement between Cyries and Iteration made as of December 5, 2007;

(dd) "**Court**" means the Court of Queen's Bench of Alberta;

(ee) "**Effective Date**" means the date shown on the Certificate of Arrangement;

(ff) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

(gg) "**Employee Obligations**" means any obligations or liabilities of Cyries or its Subsidiaries to pay any amount to or on behalf of the officers, directors, employees or consultants of Cyries or its Subsidiaries (other than for salary, consulting fees and directors' fees in the ordinary course in amounts consistent with historic practices) and, without limiting the generality of the foregoing, Employee Obligations shall include the obligations of Cyries and its Subsidiaries to officers, employees or consultants:

(i) for severance or termination payments on the change of control of Cyries pursuant to any agreements or severance policy; and

(ii) for payments to employees pursuant to Cyries' existing employee retention program;

(hh) "**Encumbrance**" includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust, royalty or carried participation, net profits or other third party interest and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

(ii) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to Section 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(jj) "**Governmental Authority**" includes any federal, provincial, municipal or other political subdivision, government department, commission, board, bureau, agency or instrumentality, domestic or foreign;

(kk) "**Iteration**" means Iteration Energy Ltd., a corporation amalgamated pursuant to the laws of the Province of Alberta;

(ll) "**Iteration's Counsel**" means Bennett Jones LLP, or such other legal counsel as may be designated by Iteration;

(mm) "**Iteration Disclosure Letter**" means the letter of disclosure dated effective as of the date of this Agreement to be delivered by Iteration to Cyries;

(nn) "**Iteration Financial Statements**" means the audited consolidated financial statements of Iteration for the year ended December 31, 2006 and the unaudited consolidated financial statements of Iteration for the nine month period ended September 30, 2007;

(oo) "**Iteration Options**" means the options to purchase Iteration Shares outstanding pursuant to Iteration's share option plan;

(pp) "**Iteration Public Documents**" means all public documents or information filed by or on behalf of Iteration on SEDAR in compliance with or intended compliance with Applicable Laws;

(qq) "**Iteration Shares**" means the common shares in the capital of Iteration as constituted on the date hereof;

(rr) "**Iteration Warrants**" means the outstanding warrants to purchase Iteration Shares dated March 21, 2005;

(ss) "**Iteration Work Program**" means the drilling activities and certain other operations described in the letter of Iteration dated as of the date of this Agreement (as accepted by Cyries), subject to such changes that may be agreed to by Iteration and Cyries in writing, each acting reasonably;

(tt) "**Income Tax Act**" means the *Income Tax Act* (Canada), including the regulations promulgated thereunder;

(uu) "**Information Circular**" means the information circular of Cyries to be mailed to Cyries Securityholders in connection with the holding of the Meeting;

(vv) "**Interim Order**" means an interim order of the Court concerning the Arrangement under Section 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(ww) "**Law**" means any constitution, law, ordinance, principle of common law, regulation, statute or treaty of any Governmental Authority;

(xx) "**material**" means a fact, asset, liability, transaction or circumstance, as applicable, concerning the business, assets, rights, liabilities, capitalization, operations, prospects or financial condition of Cyries or Iteration and their respective Subsidiaries taken as a whole, as the case may be, that: (i) would be reasonably likely to have a significant effect on the value of the Cyries Shares or the

Iteration Shares, as the case may be; or (ii) that would prevent or materially delay completion of the Arrangement in accordance with the Agreement;

(yy) "**Material Adverse Change**" or "**Material Adverse Effect**" means with respect to either Cyries or Iteration, as the case may be, any condition, event or development that has a change or effect in the business, operations, results of operations (including production of petroleum, natural gas and related hydrocarbons), assets, capitalization, financial condition, licenses, permits, concessions, rights, liabilities or privileges, whether contractual or otherwise, of Cyries or Iteration, as the case may be, and its Subsidiaries, taken as a whole that is, or could reasonably be expected to be, materially adverse to the business of Cyries or Iteration and their respective Subsidiaries, taken as a whole, as the case may be, other than a change or effect: (i) that relates to or arises out of a matter that has, prior to the date hereof, been publicly disclosed or disclosed to the other party in writing; (ii) that relates to or arises out of conditions affecting the oil and gas industry as a whole including changes in Applicable Laws and any proposed or final decision regarding changes to Alberta's royalty or other taxation regime; (iii) that relates to or arises out of general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere; (iv) that relates to or arises out of any change in the market price of crude oil, natural gas or related hydrocarbons; (v) that arises out of any operational matter relating to one party and consented to by the other in accordance with the terms of this Agreement; or (vi) that results from the announcement of the execution of this Agreement or the transactions contemplated hereby;

(zz) "**Meeting**" means the special meeting of the Cyries Securityholders to be called to, *inter alia*, consider and, if thought fit, authorize, approve and adopt the Arrangement in accordance with the Interim Order, and any adjournments thereof;

(aaa) "**misrepresentation**" includes any untrue statement of a material fact, any omission to state a material fact that is required to be stated and any omission to state a material fact that is necessary to be stated in order for a statement not to be misleading;

(bbb) "**person**" includes any individual, partnership, firm, trust, body corporate, government, governmental body, agency or instrumentality, unincorporated body of persons or association;

(ccc) "**Plan of Arrangement**" means the plan of arrangement set out in Schedule D hereto as amended or supplemented from time to time in accordance with Article 11 hereof;

(ddd) "**Registrar**" means the registrar appointed pursuant to Section 263 of the ABCA;

(eee) "**Subsidiary**" means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture, voting trust or other entity over which it exercises direction or control or which is in a like relation to a Subsidiary;

(fff) "**Superior Proposal**" means any *bona fide* written Acquisition Proposal received by Cyries which the Cyries board of directors, in its sole opinion acting in good faith after consultation with Cyries' Counsel and financial advisors, determines: (i) is reasonably likely to be completed on its terms taking into account all financial and other aspects of the proposal; (ii) that the funds or other consideration necessary to consummate the Superior Proposal will be available when required; and (iii) if consummated, would result in a transaction that is superior, from a financial point of view, to the Cyries Shareholders than the Arrangement;

(ggg) "**Taxes**" means all taxes, charges, fees, levies or other assessments, including all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, social security, unemployment, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, including all interest and penalties thereon, and additions to tax or additional amounts imposed by any Governmental Entity upon such applicable company;

(hhh) "**Tax Returns**" means any and all returns, reports, declarations, designations, elections, claims for refund, estimates, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form), including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed with any taxing authority in respect of Taxes;

(iii) "**TSX**" means the Toronto Stock Exchange;

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

(kkk) "**Voting Agreements**" means the voting agreements entered into by certain Cyries Securityholders, in substantially the form set forth in Schedule C hereto; and

(lll) "**Weighted Average Trading Price**" shall be determined by dividing: (i) the aggregate dollar trading value of all Cyries Shares sold on the TSX over the five consecutive trading days ending on the trading day immediately preceding the day which is one (1) business day prior to the Effective Date by, (ii) the total number of Cyries Shares sold on such stock exchange during such period.

1.2 Schedules

The following Schedules form part of this Agreement:

Schedule A – Iteration's Representations and Warranties
Schedule B – Cyries' Representations and Warranties
Schedule C – Voting Agreement
Schedule D – Plan of Arrangement

1.3 Divisions

The division of this Agreement into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

1.4 Article References

Unless the contrary intention appears, references in this Agreement to an Article, Section, or Schedule by number or letter refer to the Article, Section, Schedule, respectively, bearing that designation in this Agreement.

1.5 Number and Gender

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa; words importing gender shall include all genders.

1.6 Inclusive Terminology

Whenever used in this Agreement, the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.

1.7 Date for Action

In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.

1.8 Statutes

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

1.9 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

1.10 Enforceability

All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, reorganization and other laws affecting creditors rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief).

1.11 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under Canadian GAAP and all determination of an accounting nature required to be made shall be made in a manner consistent with Canadian GAAP applied on a consistent basis.

1.12 Disclosure in Writing

Reference to disclosure in writing herein shall, in the case of disclosure to Iteration, include disclosure to Iteration or its representatives, or in the case of disclosure to Cyries, include disclosure to Cyries or its representatives.

ARTICLE 2
THE ARRANGEMENT

2.1 Cyries' Implementation of the Arrangement

Cyries covenants and agrees that, subject to the other terms of this Agreement:

(a) it will use its reasonable commercial efforts to fulfill or cause the fulfillment of the conditions set forth in Sections 4.1 and 5.1, as soon as reasonably possible, to the extent the fulfillment of the same is within the control of Cyries;

(b) it shall use its reasonable commercial efforts to file, proceed with and diligently prosecute an application to the Court under the ABCA for an Interim Order of the Court with respect to the matters pertaining to the Arrangement (and acceptable to Iteration acting reasonably) on or before February 7, 2008;

(c) the application for the Interim Order shall include a request that the Interim Order provide that:

 (i) the securities of Cyries for which holders shall be entitled to vote on the Arrangement Resolution shall be the Cyries Shares and the Cyries Warrants;

 (ii) the Cyries Securityholders shall be entitled to vote on the Arrangement Resolution as a single class with each Cyries Securityholder being entitled to one vote for each Cyries Share and one vote for each Cyries Share issuable upon exercise of Cyries Warrants held by such holder; and

 (iii) the requisite majority for the approval of the Arrangement Resolution shall be two-thirds of the votes cast by the Cyries Securityholders present in person or by proxy at the Meeting;

 provided, however, that the Interim Order may permit the Cyries Warrantholders to evidence their approval of the Arrangement Resolution by a resolution in writing and signed by all of the Cyries Warrantholders in lieu of voting at the Meeting;

(d) it will:

 (i) forthwith carry out the terms of the Interim Order to the extent applicable to it provided that nothing shall require Cyries to consent to any material modification of this Agreement, the Arrangement or Cyries' obligations hereunder or thereunder;

 (ii) convene the Meeting for the purpose of considering the Arrangement (and, in any case, will use its reasonable commercial efforts to convene such meeting on or before March 10, 2008);

 (iii) solicit proxies to be voted at the Meeting in favour of the Arrangement;

 (iv) provide notice to Iteration of the Meeting and allow Iteration's representatives to attend the Meeting; and

 (v) conduct the Meeting in accordance with the Interim Order, the bylaws of Cyries and any instruments governing such Meeting, as applicable, and as otherwise required by law;

(e) it will prepare (in consultation with Iteration), file and distribute to the Cyries Securityholders in a timely and expeditious manner, the Information Circular, and any amendments or supplements to the Information Circular, all as required by the Interim Order or by Applicable Law, all as acceptable to Iteration, acting reasonably, in all jurisdictions where the same is required complying in all material respects with all applicable legal requirements on the date of issue thereof;

(f) subject to the provisions of Article 8, it will include in the Information Circular the unanimous recommendation of the board of directors of Cyries that the Cyries Securityholders vote in favour of the Arrangement;

(g) it will, subject to the approval of the Arrangement in accordance with the provisions of the Interim Order, file, proceed with and diligently prosecute an application for the Final Order;

(h) it will carry out the terms of the Final Order to the extent applicable to Cyries, provided that nothing shall require Cyries to consent to any material modification of this Agreement, the Arrangement or Cyries' obligations hereunder or thereunder, and will file Articles of Arrangement and the Final Order with the Registrar;

(i) except for proxies and other non-substantive communications with Cyries Securityholders, Cyries will furnish to Iteration a copy of each notice, report, schedule or other document delivered, filed or received by Cyries in connection with the Arrangement, the Meeting, any filings under Applicable Laws, and any dealings with regulatory agencies in connection with the transactions contemplated herein;

(j) it will make other necessary filings and applications under Applicable Laws and regulations required on the part of Cyries in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations; and

(k) it will promptly advise Iteration of the number of Cyries Shares for which Cyries has received notices of dissent or written objections to the Plan of Arrangement and will provide Iteration with copies of such notices or written objections.

2.2 Recommendation of Cyries Board of Directors and Fairness Opinion

Cyries confirms that, at a meeting of directors held on January 18, 2008, the Cyries directors unanimously (with one member absent for health reasons) approved the transactions contemplated hereunder, including the Arrangement and this Agreement, and unanimously determined that the Arrangement is in the best interests of Cyries and the Cyries Securityholders, the Cyries board of directors has received an oral opinion of Cyries' financial advisor that the Arrangement is fair, from a financial point of view, to holders of Cyries Common Shares and the Cyries board of directors has unanimously resolved to recommend approval of the Arrangement by Cyries' Securityholders.

2.3 Recommendation of Iteration Board of Directors

Iteration confirms that, at a meeting of directors held on January 18, 2008, the Iteration directors unanimously approved the entering into of the Agreement and the performance of its obligations hereunder.

2.4 Iteration's Implementation of the Arrangement

Iteration covenants and agrees that, subject to the other terms of the Agreement:

(a) it will use its reasonable commercial efforts to fulfill or cause the fulfillment of the conditions set forth in Sections 3.1 and 5.1 as soon as reasonably possible to the extent the fulfillment of the same is within the control of Iteration;

(b) it will assist Cyries in the preparation of the Information Circular and provide to Cyries, in a timely and expeditious manner, all information as may be reasonably requested by Cyries or is required by the Interim Order or Applicable Law, with respect to Iteration or inclusion in the Information Circular and any amendments or supplements to the Information Circular, in each case complying in all material respects with all applicable legal requirements on the date of issue thereof;

(c) it will carry out the terms of the Interim Order and the Final Order to the extent applicable to Iteration provided that nothing shall require Iteration to consent to any material modification of this Agreement, the Arrangement or Iteration's obligations hereunder or thereunder;

(d) it will make all other necessary filings and applications under applicable federal, provincial and state laws and regulations in Canada and the United States required on the part of Iteration in connection with the transactions contemplated herein and take all reasonable commercial action necessary to be in compliance with such laws and regulations; and

(e) it will include Donald Archibald, Howard Crone and Gary Peddle in the slate of management nominees for election as directors of Iteration at the next annual meeting of the shareholders of Iteration and will solicit proxies in favor of approving such appointments.

2.5 General

All parties agree that they will, subject to the conditions and limitations provided for herein, use their reasonable commercial efforts to cause the Effective Date to occur on or before March 4, 2008.

ARTICLE 3
CYRIES' CLOSING CONDITIONS

3.1 Conditions of Cyries

The obligation of Cyries to complete the transactions contemplated herein is subject to the fulfillment or waiver of the following conditions precedent on or before the Effective Date or such other time as is specified below:

Material Adverse Effects

(a) the representations and warranties made by Iteration in Section 7.1 in this Agreement (which for purposes of this Subsection 3.1(a) shall be read as though none of them contained any "Material Adverse Effect" or other materiality qualification) shall be true as of the Effective Date as if made on and as of such date except:

  (i) to the extent such representations and warranties speak only as of an earlier date;

(ii) for any failures or breaches of representations and warranties which arise as a result of transactions contemplated or permitted by this Agreement; and

(iii) for any failures or breaches of representations and warranties which individually or in the aggregate do not:

(A) have, or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Iteration; or

(B) materially impede the completion of the Arrangement or the transactions contemplated by this Agreement,

and Iteration shall have provided to Cyries a certificate of two officers of Iteration certifying as to such matters on the Effective Date;

(b) Iteration shall have complied with its covenants herein in all material respects and Iteration shall have provided to Cyries a certificate of two senior officers of Iteration certifying as to such matters on the Effective Date;

(c) at the Effective Date, there shall be no continuing event, occurrence or change in state of facts which has had, or would reasonably be expected to have, a Material Adverse Effect on Iteration or which could materially impede the completion of the Arrangement;

(d) there shall not have occurred any actual or threatened change (including a proposal by the Minister of Finance of Canada to amend the Income Tax Act or any announcement, governmental or regulatory initiative, condition, event or development involving a change or a prospective change) that, directly or indirectly, has or, could reasonably be expected to have, a Material Adverse Effect on Iteration, or materially impede the completion of the Arrangement;

Release of Officers and Directors and Employee Retention/Severance

(e) Cyries shall have provided releases in favour of each of the directors and officers of Cyries who have provided a release in favour of Cyries at the Effective Date, each in a form satisfactory to such directors and officers and Iteration, acting reasonably;

(f) Iteration shall have extended offers of employment to those Cyries employees listed in the Cyries Disclosure Letter pursuant to which such persons will be paid similar compensation with similar responsibilities as those currently enjoyed by such person while employed by Cyries, or if no offer of employment is extended, such person will receive severance as they are entitled to under their terms of employment with Cyries and Applicable Laws, provided that no severance will be payable to an employee who accepts an offer of employment as contemplated in this section with Iteration;

Iteration Share Capital

(g) immediately prior to the Effective Time:

(i) the aggregate number of Iteration Shares issued and outstanding shall not exceed 71,200,000 other than Iteration Shares issued pursuant to:

(A) the exercise of any Iteration Options; and

(B) the exercise of any outstanding Iteration Warrants;

(iii) no person shall have any agreement or option or any right or privilege (whether by law, pre-emptive right, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any unissued Iteration Shares other than Iteration Options and the Iteration Warrants;

Status of Iteration Securities

(h) the Iteration Shares issuable pursuant to the Arrangement shall have been deposited with the Depositary (as defined in the Plan of Arrangement) together with an irrevocable direction authorizing and directing the Depositary to pay the Iteration Shares issuable pursuant to the Arrangement to the holders of the Cyries Shares and the Cyries Warrants who are entitled to receive such securities in accordance with the Arrangement;

(i) the Iteration Shares issued pursuant to the Arrangement shall not be subject to any hold period, restricted period or seasoning period under the laws of Canada (except for control persons and subject to other requirements of general application) that shall not have been satisfied on the Effective Date;

(j) the Iteration Shares to be issued pursuant to the Arrangement shall be listed and posted for trading on the TSX; and

Appointment of Directors

(k) Iteration shall have made arrangements to appoint Donald Archibald and Howard Crone as directors of Iteration effective immediately following the Effective Date, or if the appointment of any of such persons is prohibited by any Governmental Authority, such other nominees of Cyries as is permitted by a Governmental Authority (and is acceptable to Iteration acting reasonably).

The foregoing conditions precedent are for the benefit of Cyries and may be waived, in whole or in part, by Cyries in writing at any time. If any of the foregoing conditions precedent shall not be complied with or waived by Cyries on or before the date required for the performance thereof (provided such non-compliance did not arise from the acts or omissions of Cyries), Cyries may, in addition to the other remedies they may have at law or equity, rescind and terminate this Agreement by written notice from Cyries to Iteration.

3.2 Defect Notices

Iteration will give prompt notice to Cyries of the occurrence, or failure to occur, at any time from the date hereof until the Effective Date, of any event or state of facts which occurrence or failure would, or would be likely to, result in the failure to satisfy the conditions described in Subsections 3.1(a) or (b) before the Effective Date.

Cyries may not elect not to complete the transactions contemplated hereby (pursuant to the non-fulfilment of any condition precedent or any termination right arising therefrom) unless forthwith (and in any event prior to the filing of the Articles of Arrangement for acceptance by the Registrar), Cyries has delivered a written notice (the "**Iteration Defect Notice**") to Iteration specifying therein the matters (the "**Iteration Defects**") which Cyries is asserting as the basis for the non-fulfilment of the applicable condition precedent or termination right, as the case may be.

3.3 Remedial Action

If an Iteration Defect Notice is given by Cyries:

(a) Iteration may elect (within five business days of the receipt of the Iteration Defect Notice) to remedy the Iteration Defects (but only if they are capable of being cured) by the earlier of March 11, 2008, and the expiration of a period of 30 days from the date of the Iteration Defect Notice (the later of these dates is the "**Iteration Expiry Date**"); and

(b) Iteration shall report, on an ongoing basis, to Cyries on the actual and estimated costs of its efforts to remediate an Iteration Defect.

In the event the Iteration Defects are cured before the Iteration Expiry Date, Cyries shall not be entitled to rely upon the Iteration Defect in order to terminate this Agreement or otherwise avoid the completion of the transactions contemplated hereby.

ARTICLE 4
ITERATION'S CLOSING CONDITIONS

4.1 Conditions of Iteration

The obligation of Iteration to complete the transactions contemplated herein is subject to the fulfillment or waiver of the following conditions precedent on or before the Effective Date or such other time as is specified below:

Material Adverse Effects

(a) the representations and warranties made by Cyries in Section 6.1 in this Agreement (which for purposes of this Subsection 4.1(a) shall be read as though none of them contained any "Material Adverse Effect" or other materiality qualification) shall be true as of the Effective Date as if made on and as of such date except:

    (i) to the extent such representations and warranties speak only as of an earlier date;

    (ii) for any failures or breaches of representations and warranties which arise as a result of transactions contemplated or permitted by this Agreement; and

    (iii) for any failures or breaches of representations and warranties which individually or in the aggregate do not:

        (A) have, or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Cyries; or

        (B) materially impede the completion of the Arrangement or the transactions contemplated by this Agreement,

    and Cyries shall have provided to Iteration a certificate of two officers of Cyries certifying as to such matters on the Effective Date;

(b) Cyries shall have complied with its covenants herein in all material respects and Cyries shall have provided to Iteration the certificate of two senior officers of Cyries certifying as to such matters on the Effective Date;

(c) at the Effective Date, there shall be no continuing event, occurrence or change in state of facts which has had, or would reasonably be expected to have, a Material Adverse Effect on Cyries or which could materially impede the completion of the Arrangment;

(d) there shall not have occurred any actual or threatened change (including a proposal by the Minister of Finance of Canada to amend the Income Tax Act or any announcement, governmental or regulatory initiative, condition, event or development involving a change or a prospective change) that, directly or indirectly, has or, could reasonably be expected to have, a Material Adverse Effect on Cyries, or materially impede the completion of the Arrangement;

Release of Officers and Directors

(e) each of the members of the board of directors of Cyries and its Subsidiaries and each of the officers of Cyries and its Subsidiaries shall have provided their written resignations as directors and officers effective on or before the Effective Date together with releases (in form satisfactory to Iteration acting reasonably) in favour of Cyries and its Subsidiaries, as applicable;

Severance Costs

(f) the aggregate amount of the Employee Obligations shall not exceed $4,200,000, except as agreed to by Iteration in writing;

Cyries Share Capital

(g) immediately prior to the Effective Time:

   (i) the aggregate number of Cyries Shares issued and outstanding shall not exceed 54,262,684 (other than Cyries Shares issued pursuant to the exercise of the Cyries Options, the Cyries Warrants or the Cyries Performance Shares described in Schedule B);

   (ii) the aggregate number of Cyries Warrants issued and outstanding shall not exceed 3,287,098;

   (iii) other than as set forth in subparagraphs 4.1(a)(i) and (ii) and a debenture granted in favour of Cyries' lender under its credit facility,there are no other securities of Cyries outstanding including, without limitation, all outstanding Cyries Options and Cyries Performance Shares shall have been cancelled or otherwise terminated as contemplated in this Agreement; and

   (iv) no person shall have any agreement or option or any right or privilege (whether by law, pre-emptive right, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any unissued Cyries Shares other than Cyries Warrants to acquire a maximum of 3,287,098 Cyries Shares, none of which securities shall have been issued after the date of this Agreement;

Voting Agreements

(h) directors and officers of Cyries (who control approximately 12.6% of the securities to be voted in respect of the transaction) shall have completed and executed a Voting Agreement substantially in the form set forth in Schedule C in respect of all Cyries Securities owned by them;

Ownership of Cyries Shares

(i) there shall be no action taken under any existing law, regulation, rule or order, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or regulatory authority or similar agency, domestic or foreign, that imposes any material limitations on the ability of Iteration to effectively exercise full rights of ownership of the Cyries Shares, including, without limitation, the right to vote any such shares, or the ability of Iteration to operate the business and assets of Cyries;

Credit Facility

(j) except in respect of covenants respecting the amount of Cyries' working capital, Cyries shall be in compliance with its covenants under its credit facility, (and all of the material provisions of such facility shall be the same as those disclosed to Iteration on or before the date of this Agreement); and

Dissent

(k) holders of not greater than 5% of the aggregate outstanding Cyries Securities shall have exercised rights of dissent in respect of the Arrangement that have not been withdrawn as at the Effective Date.

The foregoing conditions precedent are for the benefit of Iteration and may be waived, in whole or in part, by Iteration in writing at any time. If any of the foregoing conditions precedent shall not be complied with or waived by Iteration on or before the date required for the performance thereof (provided such non-compliance did not arise from the acts or omissions of Iteration), Iteration may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to Cyries.

4.2 Defect Notices

Cyries will give prompt notice to Iteration of the occurrence, or failure to occur, at any time from the date hereof until the Effective Date, of any event or state of facts which occurrence or failure would, or would be likely to, result in the failure to satisfy the conditions described in Subsections 4.1(a) or (b) before the Effective Date.

Iteration may not elect not to complete the transactions contemplated hereby (pursuant to the non-fulfilment of any condition precedent or any termination right arising therefrom) unless forthwith (and in any event prior to the filing of the Articles of Arrangement for acceptance by the Registrar), Iteration has delivered a written notice (the "**Cyries Defect Notice**") to Cyries specifying in the matters (the "**Cyries Defects**") which Iteration is asserting as the basis for the non-fulfilment of the applicable condition precedent or termination right, as the case may be.

4.3 Remedial Action

If a Cyries Defect Notice is given by Iteration:

(a) Cyries may elect (within five business days of the receipt of the Cyries Defect Notice) to remedy the Cyries Defects (but only if they are capable of being cured) by the earlier of March 11, 2008, and the expiration of a period of 30 days from the date of the Cyries Defect Notice (the later of these dates is the "**Cyries Expiry Date**"); and

(b) Cyries shall report, on an ongoing basis, to Iteration on the actual and estimated costs of its efforts to remediate a Cyries Defect.

In the event the Cyries Defects are cured before the Cyries Expiry Date, Iteration shall not be entitled to rely upon the Cyries Defect in order to terminate this Agreement or otherwise avoid the completion of the transactions contemplated hereby.

ARTICLE 5
MUTUAL CLOSING CONDITIONS

5.1 Mutual Conditions

The obligations of Iteration and Cyries to complete the transactions contemplated herein are subject to fulfillment of the following conditions precedent on or before the Effective Date or such other time as is specified below:

Cyries Securityholder Approval

(a) a special resolution shall have been passed by the Cyries Securityholders as may be required pursuant to the Interim Order, on or before March 10, 2008, in form and substance satisfactory to each of Iteration and Cyries, acting reasonably, duly approving the Arrangement in accordance with the Interim Order;

Orders

(b) on or before March 10, 2008, the Final Order shall have been granted in form and substance satisfactory to Iteration and Cyries, each acting reasonably;

Implementation

(c) the Arrangement shall have become effective on or before March 11, 2008;

No Prohibitions

(d) there shall be no action taken under any Applicable Law or Applicable Law which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:

    (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or

(ii) results in a judgment or assessment of damages directly or indirectly relating to the transactions contemplated herein that has a Material Adverse Effect on Iteration or Cyries; and

Consents

(e) Iteration and Cyries shall have obtained all consents, approvals and authorizations (including, without limitation, the listing of the Iteration Shares on the TSX, competition law approvals, all securities commission and other regulatory approvals, including the consent of Iteration's and Cyries' lenders, respectively, pursuant to Iteration's and Cyries' respective credit facility and Cyries' landlord under its office lease) required or necessary in connection with the transactions contemplated herein on terms and conditions satisfactory to Iteration and Cyries, each acting reasonably.

Competition Act Matters

(f) either one or more of the following shall have occurred:

(i) the Commissioner shall have issued a "no action letter" under section 123 of the Competition Act satisfactory to each of Iteration and Cyries, acting reasonably, indicating that the Commission has determined not to make, at that time, an application for an order under section 92 of the Competition Act and any terms and conditions attached to any such letter shall be acceptable to each of Iteration and Cyries, acting reasonably; or

(ii) the Commissioner shall have issued an advance ruling certificate ("**ARC**") pursuant to section 102 of the Competition Act.

The foregoing conditions are for the mutual benefit of Iteration and Cyries and may be waived, in whole or in part, by Iteration and Cyries together, at any time. If any of the foregoing conditions precedent shall not be complied with or waived as aforesaid on or before the date required for the performance thereof (provided such non-compliance did not arise from the acts or omissions of such party), Iteration or Cyries may, in addition to the other remedies it may have at law or in equity, rescind and terminate this Agreement by written notice to the other party.

5.2 Satisfaction of Conditions

The conditions set out in Articles 3, 4 and 5 shall be conclusively deemed to have been satisfied, waived or released upon the filing of Articles of Arrangement as contemplated by this Agreement.

ARTICLE 6
CYRIES' REPRESENTATIONS AND WARRANTIES

6.1 Cyries Representations

Cyries hereby makes to Iteration the representations and warranties as set forth in Schedule B to this Agreement and acknowledges that Iteration is relying upon those representations and warranties in connection with entering into this Agreement.

6.2 Investigation

Any investigation by Iteration and its advisors shall not mitigate, diminish or affect the representations and warranties of Cyries pursuant to this Agreement, except that Iteration shall not be able to rely on any breach of a representation or warranty of which any of Iteration's officers (as of the date of this Agreement) was actually aware on or before the date of this Agreement to terminate this Agreement, fail to close the transactions contemplated by this Agreement or seek damages or any other remedy pursuant to this Agreement.

6.3 Survival

The representations and warranties of Cyries contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated and extinguished upon the Arrangement becoming effective.

ARTICLE 7
ITERATION'S REPRESENTATIONS AND WARRANTIES

7.1 Iteration Representations

Iteration hereby makes to Cyries the representations and warranties as set forth in Schedule A to this Agreement and acknowledges that Cyries is relying upon those representations and warranties in connection with entering into this Agreement.

7.2 Investigation

Any investigation by Cyries and its advisors shall not mitigate, diminish or affect the representations and warranties of Iteration pursuant to this Agreement, except that Cyries shall not be able to rely on any breach of a representation or warranty of which any of Cyries' officers (as of the date of this Agreement) was actually aware on or before the date of this Agreement, to terminate this Agreement, fail to close the transactions contemplated by this Agreement or seek damages or any other remedy pursuant to this Agreement.

7.3 Survival

The representations and warranties of Iteration contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated and extinguished upon the Arrangement becoming effective.

ARTICLE 8
CYRIES' COVENANTS

8.1 Conduct of Cyries' Business

Cyries covenants and agrees that, until Closing or the termination of this Agreement, whichever is earlier, except: (i) with the prior consent of Iteration; or (ii) as otherwise expressly permitted by this Agreement, it will:

(a) conduct its business and the business of its Subsidiaries in the ordinary course of business consistent with past practice (for greater certainty, where it or any of its Subsidiaries is an operator of any property, it or they shall operate and maintain such property in the proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property);

(b) provide to Iteration reports on Cyries' and its Subsidiaries' respective operations and affairs as may be reasonably requested from time to time by Iteration;

(c) use its reasonable commercial efforts to cause its and its Subsidiaries' current insurance policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(d) use its reasonable commercial efforts to preserve intact its and its Subsidiaries' business organizations and goodwill and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it or its Subsidiaries;

(e) use its reasonable commercial efforts to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;

(f) immediately notify Iteration of any actual, possible or threatened Material Adverse Effect on Cyries, and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated) issued to Cyries or its Subsidiaries;

(g) use its reasonable commercial efforts to cooperate with Iteration to enable an orderly integration of the business and affairs of Cyries with Iteration after the Effective Date;

(h) make available and cause to be made available to Iteration, its agents and advisors, as Iteration may reasonably request, all documents and agreements (including without limitation, any correspondence between Cyries and its advisors or any governmental body and all minute books) and access to Cyries' and its Subsidiaries' premises, field operations, records, computer systems and employees in any way relating to or affecting Cyries' or its Subsidiaries' business or the business, operations, prospects, affairs or financial status of Cyries or its Subsidiaries and such other documents or agreements as may be necessary to enable Iteration to verify the truth of the representations and warranties of Cyries herein and compliance by Cyries with the terms and conditions hereof (which Iteration agrees shall be subject to the Confidentiality Agreement and shall constitute Confidential Information unless such information is excluded by the terms of the definition of Confidential Information), except where Cyries or its Subsidiaries are contractually precluded by an agreement pre-existing the date of this Agreement from making such document or agreement available, and cooperate with Iteration in securing access for Iteration to any such documentation not in the possession or under the control of Cyries or its Subsidiaries;

(i) not disclose to any person, other than officers, directors and key employees and professional advisors of Cyries, any confidential information relating to Iteration except information that is generally available to and known by the public, that is received by Cyries on a non-confidential basis from someone who is not prohibited from transmitting such information, that was known by Cyries prior to disclosure hereunder (and is not subject to a confidentiality obligation of Cyries), that is required to be disclosed by law, or that is otherwise known to the public or that is permitted pursuant to another agreement between Iteration and Cyries;

(j) Cyries will make arrangements before the Effective Date with the directors, employees and consultants of Cyries so that those persons will make reasonable efforts to cooperate with Iteration to enable an orderly integration of Cyries' business into the operations of Iteration after the Effective Date;

(k) Cyries shall use its reasonable commercial efforts to cause the resignation of the directors and officers of Cyries and its Subsidiaries at the Effective Time (and for such directors and officers to provide a release in a form and substance satisfactory to Iteration and Cyries, each acting reasonably);

(l) Cyries shall ensure that it has available funds to permit the payment of the maximum amount which may be required by Section 10.5 having regard to its other liabilities and obligations, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount if required;

(m) Cyries shall in consultation with Iteration use its reasonable commercial efforts to obtain the consent of its bankers and any other third party consents required for the transactions contemplated hereby and provide the same to Iteration on or prior to the Effective Date;

(n) Cyries shall indemnify and save harmless Iteration and the directors, officers and agents of Iteration from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Iteration or any director, officer or agent of Iteration may be subject or which Iteration or any director, officer or agent of Iteration may suffer, 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 misrepresentation by Cyries in the Information Circular or in any material filed in compliance or intended compliance with any Applicable Laws;

    (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the Information Circular or in any material filed by or on behalf of Cyries in compliance or intended compliance with Applicable Laws, which prevents or restricts trading in the securities of Cyries; and

    (iii) Cyries or its Subsidiaries not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Cyries shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation of a material fact in any information relating to or provided by Iteration (including but not limited to, the proforma financial statements of Iteration to be set forth in the Information Circular and all the documents of Iteration incorporated by reference into the Information Circular), the negligence of Iteration or the non-compliance by Iteration with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement unless such act of negligence or non-compliance was done at the request or with the knowledge of Cyries;

(o) Cyries will use its reasonable commercial efforts to continue to be a "reporting issuer" (or similarly designated company) in each jurisdiction where it is currently, in material compliance with all Applicable Laws and to continue to have the Cyries Shares listed on the TSX;

(p) at the request of Iteration, Cyries will use its reasonable commercial efforts to attempt to remedy any title defects identified by Iteration before the Effective Date;

(q) Cyries shall prepare audited consolidated financial statements as at, and for the year ended December 31, 2007 for filing after completion of the transactions contemplated herein and shall keep Iteration fully informed on a timely basis of all issues material to the preparation of such statements as they arise;

(r) provide to Iteration ongoing reports (on a timely basis) as to the conduct and completion of all operations contemplated by the Cyries Work Program and the liabilities incurred, amounts to be expended or amounts actually expended in respect of such operations (or estimates thereof);

(s) implement the Cyries Work Program in a manner consistent with its past practices, good industry practice and as disclosed to Iteration during the course of such implementation;

(t) Cyries shall use its reasonable commercial efforts to ensure that all outstanding Cyries Options and Cyries Performance Shares are cancelled or otherwise terminated with effect immediately prior to the Effective Time, as follows:

    (i) each Cyries Option with an exercise price per Cyries Share below the Weighted Average Trading Price shall be cancelled in exchange for the payment by Cyries of an amount equal to the Weighted Average Trading Price less the applicable exercise price and less any applicable withholdings as required by law, which payment shall be paid at the Effective Time;

    (ii) each Cyries Option with an exercise price per Cyries Share above the Weighted Average Trading Price shall be cancelled in exchange for the payment by Cyries of an amount equal to $0.01, which payment shall be paid at the Effective Time; and

    (iii) each Cyries Performance Share shall be converted into Cyries Shares immediately prior to the Effective Time in accordance with the rights, privileges, restrictions and conditions attached to the Cyries Performance Shares as set forth in the articles of Cyries.

8.2 Negative Covenants of Cyries

Cyries covenants and agrees that, until Closing or the termination of this Agreement, whichever is the earlier, except: (i) with the prior written consent of Iteration; or (ii) as otherwise expressly permitted by this Agreement, it and each of its Subsidiaries will not:

(a) pursue any other material corporate acquisition or disposition, amalgamation, merger, arrangement involving Cyries or its Subsidiaries or any material purchase or sale of assets by Cyries or its Subsidiaries;

(b) issue, enter into any agreement to issue or grant any right to acquire (whether absolute or contingent) any securities of Cyries or its Subsidiaries, other than the issuance of Cyries Shares pursuant to the Cyries Options, Cyries Performance Shares and Cyries Warrants;

(c) effect any changes in Cyries' or its Subsidiaries' respective capital structure or their articles or by-laws;

(d) split, combine or re-classify any of the outstanding securities of Cyries or its Subsidiaries, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise in respect of any securities of Cyries or its Subsidiaries;

(e) redeem, purchase or offer to purchase any securities of Cyries or its Subsidiaries;

(f) reduce the stated capital of any of Cyries or its Subsidiaries or any of their respective outstanding securities;

(g) pay any dividends or make any distributions to their respective securityholders;

(h) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any person, corporation, partnership or other business or organization or division or, except in the ordinary course of business consistent with past practice and subject to the expenditure limitation set forth in Subsection 8.2(i), any assets or property where the aggregate value of such transaction or transactions exceeds $1,000,000;

(i) except as expressly permitted by the Cyries Work Program or except for liabilities to pay royalties, expend any capital amounts, incur any liabilities (other than operating costs in the ordinary course of business consistent with Cyries' past practice), create any Encumbrance on any of its or its Subsidiaries' properties or assets, enter into any agreements, arrangements, provide any loans, or make any commitments, or make any offers that could result in any agreements or commitments, in an amount in excess of $200,000 individually or $1,000,000 in the aggregate if for capital transactions, and $50,000 individually or $250,000 in the aggregate if for operating costs;

(j) pay, discharge or satisfy any claims, liabilities or obligations in excess of $200,000 individually or $1,000,000 in the aggregate, other than those which were incurred before the date of this Agreement and which were disclosed to Iteration before the date of this Agreement or except as expressly permitted by the Cyries Work Program, (Cyries shall promptly provide Iteration of notice of such payments made in reliance on this exception);

(k) conduct any drilling, geophysical or other exploratory activity or accept any obligations to expend funds pursuant to any authorizations for expenditure or any other instruments made after the date of this Agreement except as expressly permitted by the Cyries Work Program, (Cyries shall promptly provide Iteration of notice of such payments);

(l) enter into or close any hedge, swaps or other like transactions;

(m) sell, dispose of, transfer, convey, encumber, surrender, release or abandon the whole or any part of its material assets;

(n) grant any officer or director an increase in compensation in any form, or take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements, for any directors, officers or employees, nor adopt or amend (other than to permit accelerated vesting of options) or make any contribution to any bonus, profit-sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan from a trust fund or arrangement for the benefit of directors, officers or employees, except as is necessary to comply with Applicable Laws or the existing provisions of any such plans or agreements or make any loan to any director, officer, employee, consultant or any other party not at arm's length with Cyries; or

(o) agree to take any of the actions described above in this Section 8.2.

8.3 Non-Solicitation

Cyries shall immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties (other than Iteration) conducted on or before the date of this Agreement with respect to any actual or potential Acquisition Proposal (as defined below). Except with the prior consent of Iteration or as otherwise permitted by this Agreement, Cyries shall not (and shall cause its subsidiaries, directors, officers, advisors, employees and other representatives not to) directly or indirectly:

(a) solicit, initiate, invite or knowingly encourage (including, without limitation, by way of furnishing information) any inquiry or the making of any proposal to Cyries from any person which constitutes, or may reasonably expect it to lead to (in either case, whether in one transaction or a series of transactions):

   (i) an acquisition from Cyries, its Subsidiaries or their shareholders of 20% or more of any class of securities of Cyries and its Subsidiaries;

   (ii) any acquisition of more than 20% of the assets of Cyries;

   (iii) an amalgamation, arrangement or merger, involving any of Cyries or its Subsidiaries;

   (iv) any take-over bid, issuer bid, exchange offer, re-capitalization, liquidation, dissolution, re-organization involving any of Cyries or its Subsidiaries; or

   (v) any other transaction the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the Arrangement or which would or could reasonably be expected to materially reduce the benefits of the Arrangement to Iteration,

   (any such inquiry or proposal in respect of any of the foregoing referred to as an "**Acquisition Proposal**");

(b) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal or furnish any other person any information with respect to the business, properties, operations, prospects or conditions (financial or otherwise) of Cyries or its Subsidiaries in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate, or encourage any effort or attempt of any other person to do or seek to do any of the foregoing; or

(c) waive, or otherwise forbear (except in respect of non-material matters) in the enforcement of (or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of) any rights or other benefits of Cyries or its Subsidiaries in any confidentiality agreement entered into with a third party prior to the date hereof relating to or in contemplation of an Acquisition Proposal and Cyries or its Subsidiaries shall immediately request and use reasonable commercial efforts to secure the return or destruction of all confidential information of Cyries provided in connection with such agreements, pursuant to the terms of such agreements and as permitted by them.

8.4 Effect of a Superior Proposal

Notwithstanding Section 8.3, none of the provisions of this Agreement shall prevent the board of directors of Cyries (or its Subsidiaries' officers, employees, advisors and other representatives) from responding to any written unsolicited offer or proposal regarding an Acquisition Proposal from a third party, including, without limitation, by entering into or participating in any discussions or negotiations regarding such Acquisition Proposal with such party or its directors, officers, advisors, employees or other representatives, or furnishing any information to any such party or person, if:

(a) prior to providing any additional information, such third party first enters into a confidentiality and standstill agreement substantially similar to the Confidentiality Agreement (which allows the making of the proposal) and which confidentiality agreement shall permit Cyries to notify Iteration of the fact that Cyries has received an offer or proposal regarding an Acquisition Proposal as required pursuant to Section 8.4(c) hereof;

(b) the Cyries board of directors has concluded in good faith after consulting with its legal and financial advisors:

  (i) that such Acquisition Proposal constitutes a Superior Proposal;

  (ii) after considering Applicable Law, that any such response in connection with such Acquisition Proposal is necessary in order for the Cyries board of directors to properly discharge its fiduciary duties under Applicable Law; and

(c) prior to entering into discussions or negotiations with any such party or person regarding an Acquisition Proposal, Cyries notifies Iteration or Iteration's Counsel that it has received an offer or proposal regarding an Acquisition Proposal that the Cyries board of directors has determined constitutes a Superior Proposal.

If any information is provided or made available to a third party pursuant to the foregoing provisions which was not previously provided or made available to Iteration, such information will be promptly provided or made available to Iteration. Any information provided to Iteration under this Article 8 shall constitute Confidential Information as provided for by the Confidentiality Agreement (unless it is excluded by the terms of the definition of Confidential Information).

8.5 Acceptance of Superior Proposal

Cyries shall not accept, approve or recommend or enter into any agreement (except for a confidentiality agreement permitted pursuant to Section 8.4) in respect of an Acquisition Proposal unless:

(a) Cyries has provided to Iteration or Iteration's Counsel a written description of the material terms and conditions of the Acquisition Proposal which the Cyries board of directors has determined pursuant to the terms hereof to be a Superior Proposal;

(b) at least 48 hours (a "**Notice Period**") has elapsed since the time that Iteration or Iteration's Counsel received such written description of the Acquisition Proposal;

(c) the Cyries board of directors has concluded in good faith after consulting with its legal and financial advisors that such Acquisition Proposal constitutes a Superior Proposal and that taking any of such actions in connection with such Acquisition Proposal is necessary in order for the Cyries board of directors to properly discharge its fiduciary duties under Applicable Law;

(d) Cyries has, concurrently or prior thereto, paid to Iteration's Counsel, in trust for Iteration the fee payable under Section 10.5; and

(e) Cyries concurrently terminates this Agreement pursuant to Section 10.2(b).

8.6 Iteration's Right to Amend Offer

The following procedures shall apply during the Notice Period:

(a) Cyries will make its officers and representatives available to Iteration and shall provide a reasonable opportunity to Iteration to consider the terms of the Superior Proposal as disclosed, discuss with Cyries and its officers and representatives the terms of the Superior Proposal and offer such amendments in the terms and conditions of this Agreement as would enable Cyries to proceed with its recommendation to Cyries Securityholders with respect to the Arrangement as proposed to be so amended (provided however that any such amendments shall be at the sole discretion of the parties and provided further that the foregoing shall not require Cyries to have to extend the Notice Period for any period unless expressly agreed to in writing by Cyries);

(b) the board of directors of Cyries will review in good faith any offer made by Iteration to amend the terms of this Agreement in order to determine, in its discretion, as part of its exercising its fiduciary duties, whether the proposed amendments would, upon acceptance, result in such Superior Proposal ceasing to be a Superior Proposal; and

(c) if the board of directors of Cyries determines that the Superior Proposal would cease to be a Superior Proposal, it will so advise Iteration and will accept the offer of Iteration to amend the terms of this Agreement and the parties hereto agree to take such actions and execute such documents as are necessary to give effect to such amendments.

Each successive material modification of any Superior Proposal made during the Notice Period shall constitute a new Superior Proposal for the purposes of this Article and shall require an additional Notice Period commencing from the time such amendment is communicated to Iteration or Iteration's Counsel (other than an amendment to improve upon a Superior Proposal in respect of which Iteration has been provided with an opportunity to amend the terms of this Agreement and such Superior Proposal has not ceased to be a Superior Proposal). During this additional Notice Period, the provisions of this Section 8.6 shall apply.

8.7 Conclusion of the Notice Period

Following the conclusion of the Notice Period (including an extended Notice Period provide for by Section 8.6), if the board of directors of Cyries continues to believe, in good faith and after consultation with its advisors, that such Superior Proposal (including any amendments proposed thereto) remains a Superior Proposal and therefore rejects any amendments offered by Iteration, Cyries may, subject to the terms of this Agreement (including the payment of applicable fees under Section 10.5), accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal.

8.8 Compliance with Disclosure Obligations

Nothing contained in this Article 8 shall prohibit Cyries or Iteration from complying with Applicable Laws, including, without limitation, making any disclosures or taking any actions that may be required under applicable securities laws or may be necessary in order for the Cyries or Iteration board of directors to act in a manner consistent with its fiduciary obligations, or complying with Section 172 under the *Securities Act* (Alberta) and similar provisions under other applicable securities laws relating to the provision of directors' circulars and making appropriate disclosure with respect thereto to Cyries Securityholders.

ARTICLE 9
ITERATION'S COVENANTS

9.1 Conduct of Iteration's Business

Iteration covenants and agrees that, until Closing or the termination of this Agreement, whichever is earlier, except: (i) with the prior consent of Cyries; or (ii) as expressly permitted by this Agreement, it will:

(a) conduct its business and the business of its Subsidiaries in the ordinary course of business consistent with past practice (for greater certainty, where it or any of its Subsidiaries is an operator of any property, it or they shall operate and maintain such property in the proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property);

(b) provide to Cyries reports on Iteration's and its Subsidiaries respective operations and affairs as may be reasonably requested from time to time by Cyries;

(c) use its reasonable commercial efforts to cause its and its Subsidiaries' current insurance policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(d) use its reasonable commercial efforts to preserve intact its and its Subsidiaries' business organizations and goodwill and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it or its subsidiaries;

(e) use its reasonable commercial efforts to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;

(f) immediately notify Cyries of any potential Material Adverse Effect on Iteration, and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated) issued to Iteration or its Subsidiaries;

(g) use its reasonable commercial efforts to cooperate with Cyries to enable an orderly integration of the business and affairs of Cyries with Iteration after the Effective Date;

(h) assist Cyries in the preparation of the Information Circular and provide to Cyries, in a timely and expeditious manner, all information as may be reasonably requested by Cyries or is required by the Interim Order or applicable law, with respect to Iteration and its Subsidiaries, the Arrangement and the transactions to be completed at the Meeting (the "**Iteration Information**") for inclusion in the Information Circular and any amendments or supplements to the Information Circular, in each case complying in all material respects with all Applicable Laws on the date of issue thereof;

(i) indemnify and save harmless Cyries and the directors, officers and agents of Cyries from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Cyries, or any director, officer or agent thereof, may be subject or which Cyries, or any director, officer or agent thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of any misrepresentation or alleged misrepresentation in the Information Circular relating to Iteration Information or any material in respect of Iteration or its affiliates filed in compliance or intended compliance with Applicable Laws;

(j) make all other necessary filings and applications under Applicable Laws required on the part of Iteration in connection with the transactions contemplated herein and take all reasonable commercial action necessary to be in compliance with such laws and regulations, including, without limitation, application to the TSX for the listing of Iteration Shares;

(k) make available and cause to be made available to Cyries, its agents and advisors, as Cyries may reasonably request, all material agreements, reserve reports, and sample title information for high-value properties and such other material information of Iteration as may be reasonably necessary to enable Cyries to verify the truth of the representations and warranties of Iteration herein and compliance by Iteration with the terms and conditions hereof (which Cyries agrees is confidential information of Iteration), except where Iteration is contractually precluded by an agreement pre-existing the date of this Agreement from making such document or agreement available, and cooperate with Cyries in securing access for Cyries to any such documentation not in the possession or under the control of Iteration;

(l) pursuant to the Confidentiality Agreement, not disclose to any person, other than officers, directors and key employees and professional advisors of Iteration, any confidential information relating to Cyries received pursuant to Section 8.1 or otherwise under this Agreement, all of which shall be subject to the Confidentiality Agreement and shall constitute Confidential Information unless such information is excluded by the terms of the definition of Confidential Information; and

(m) implement the Iteration Work Program in a manner consistent with its past practices, good industry practice, and as disclosed to Cyries during the course of such implementation;

9.2 Negative Covenants of Iteration

Iteration covenants and agrees that, until Closing or the termination of this Agreement, whichever is the earlier, except: (i) with the prior written consent of Cyries; or (ii) as otherwise expressly permitted by this Agreement, it and each of its Subsidiaries will not:

(a) pursue any other material corporate acquisition or disposition, amalgamation, merger, arrangement involving Iteration or its Subsidiaries or any material purchase or sale of assets by Iteration or its Subsidiaries;

(b) issue, enter into any agreement to issue or grant any right to acquire (whether absolute or contingent) any securities of Iteration or its Subsidiaries, other than the issuance of Iteration Shares pursuant to the Iteration Options and Iteration Warrants;

(c) effect any changes in Iteration's or its Subsidiaries' respective capital structure or their articles or by-laws;

(d) split, combine or re-classify any of the outstanding securities of Iteration or its Subsidiaries, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise in respect of any securities of Iteration or its Subsidiaries;

(e) redeem, purchase or offer to purchase any securities of Iteration or its Subsidiaries;

(f) reduce the stated capital of any of Iteration or its Subsidiaries or any of their respective outstanding securities;

(g) pay any dividends or make any distributions to its respective securityholders;

(h) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any person, corporation, partnership or other business or organization or division or, except in the ordinary course of business consistent with past practice and subject to the expenditure limitation set forth in Subsection 9.2(i), any assets or property where the aggregate value of such transaction or transactions exceeds $1,000,000;

(i) except as expressly permitted by the Iteration Work Program or except for liabilities to pay royalties, expend any capital amounts, incur any liabilities (other than operating costs in the ordinary course of business consistent with Iteration's past practice), create any Encumbrance on any of its or its Subsidiaries' properties or assets, enter into any agreements, arrangements, provide any loans, or make any commitments, or make any offers that could result in any agreements or commitments, in an amount in excess of $200,000 individually or $1,000,000 in the aggregate if for capital transactions, and $50,000 individually or $250,000 in the aggregate if for operating costs;

(j) pay, discharge or satisfy any claims, liabilities or obligations in excess of $200,000 individually or $1,000,000 in the aggregate, other than those which were incurred before the date of this Agreement and which were disclosed to Cyries before the date of this Agreement or except as expressly permitted by the Iteration Work Program, (Iteration shall promptly provide Cyries of notice of such payments made in reliance on this exception);

(k) conduct any drilling, geophysical or other exploratory activity or accept any obligations to expend funds pursuant to any authorizations for expenditure or any other instruments made after the date of this Agreement except as expressly permitted by the Iteration Work Program, (Iteration shall promptly provide Cyries of notice of such payments);

(l) enter into or close any currency hedge, swaps or other like transactions or enter into or close any commodity hedge, swaps or other like transactions in excess of production having an aggregate of greater than 1000 boe/d;

(m) sell, dispose of, transfer, convey, encumber, surrender, release or abandon the whole or any part of its material assets; or

(n) agree to take any of the actions described above in this Section 9.2.

9.3 Executive Termination Fees

Iteration acknowledges that it will terminate all of the officers of Cyries immediately following the Effective Date and that it will ensure payment of the amounts payable on the termination of each of these individuals pursuant to their employment agreements, unless otherwise agreed by Iteration and the individual officers.

9.4 Indemnification of Directors and Officers, Corporate Indemnities and Insurance

For a period of six (6) years after the Effective Date, Iteration shall cause Cyries to:

(a) maintain in effect the current or substantially similar (subject to any changes required by Applicable Laws in the jurisdiction in which Cyries may exist from time to time) provisions regarding indemnification of officers and directors contained in the constating documents of Cyries and any directors', officers' or employees' indemnification agreements of Cyries as disclosed to Iteration in writing on or before the date of this Agreement;

(b) maintain in effect the current policies of directors' and officers' liability insurance and fiduciary liability insurance maintained by Cyries (provided that Iteration may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, not materially less advantageous to the insured) providing coverage on a "trailing" or "run off" basis for all directors and officers of Cyries with respect to claims arising from facts or events which occurred on or before the Effective Date;

(c) indemnify the directors and officers of Cyries to the fullest extent to which Cyries is permitted to indemnify such officers and directors under its articles and bylaws and applicable laws in the jurisdiction in which Cyries may continue to exist from time to time; and

(d) Iteration shall unconditionally and irrevocably guarantee for the benefit of such directors, officers and employees, the obligations of Cyries under the foregoing indemnification arrangements and agreements, copies of which have previously been provided to Iteration.

Notwithstanding the foregoing, this Section 9.4 shall not restrict or prohibit Iteration or Cyries from entering into any transaction subsequent to the Effective Date, including a merger, amalgamation, arrangement, dissolution, liquidation, reorganization of capital or sale of all or substantially all of the assets of Iteration or Cyries or a Subsidiary of either of them to another entity, causing Iteration, Cyries or a Subsidiary of either of them to assume the liabilities of another entity or otherwise reorganizing or restructuring Iteration, Cyries or a Subsidiary of either of them or their respective businesses.

9.5 Ability to Rely on Covenants

The provisions of Section 9.4 are, from and after the Effective Date:

(a) for the benefit of, and shall be enforceable by, each indemnified party, his heirs, executors, administrators and other legal representatives; and

(b) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by contract or otherwise, and such rights shall be held by Cyries or Iteration, as the case may be, in trust for such person provided however that no approval of any beneficiary of such trust shall be required in connection with an amendment or variation of this Section prior to the Effective Date.

ARTICLE 10
TERMINATION

10.1 Termination by Iteration

Notwithstanding any other rights contained herein, Iteration may terminate this Agreement upon written notice to Cyries:

(a) subject to Sections 4.2 and 4.3, if there has been a breach by Cyries of any of its representations, warranties, covenants or agreements set forth in this Agreement, or if any representation or warranty of Cyries shall have become untrue, in either case which has (or is reasonably expected to have) a Material Adverse Effect on Cyries (and for this purpose, Cyries' representations and warranties shall be read as they do not contain any materiality qualification);

(b) if a circumstance giving rise to the obligation of Cyries to pay the Cyries Termination Fee shall have occurred;

(c) if a final and non-appealable order shall have been entered in any action or proceeding before any Governmental Authority that prevents or makes illegal the consummation of the transaction contemplated by this Agreement; or

(d) upon any other circumstances hereunder that give rise to a termination of this Agreement by Iteration, including those set forth in Sections 4.1 and 5.1 hereof (other than as a result of the breach of this Agreement by Iteration).

10.2 Termination by Cyries

Notwithstanding any other rights contained herein, Cyries may terminate this Agreement upon written notice to Iteration:

(a) subject to Sections 3.2 and 3.3, if there has been a breach by Iteration of any of its representations, warranties, covenants or agreements set forth in this Agreement, or if any representation or warranty of Iteration shall have become untrue, in either case which has (or is reasonably expected to have) a Material Adverse Effect on Iteration (and for this purpose, Iteration's representations and warranties shall be read as they do not contain any materiality qualification);

(b) if a circumstance giving rise to the obligation of Cyries to pay the Cyries Termination Fee shall have occurred;

(c) if a final and non-appealable order shall have been entered in any action or proceeding before any governmental entity that prevents or makes illegal the consummation of the transaction contemplated by this Agreement; or

(d) upon any other circumstances hereunder that give rise to a termination of this Agreement by Cyries, including those set forth in Sections 3.1 and 5.1 hereof (other than as a result of the breach of this Agreement by Cyries).

10.3 Effect of Termination

Subject to Section 10.6, the exercise by any party of any right of termination hereunder shall be without prejudice to any other remedy available to such party. If this Agreement is validly terminated pursuant to any provision of this Agreement, the parties shall continue to treat all information as "Confidential Information" under the terms of the Confidentiality Agreement and return all materials and copies of all materials delivered to Iteration or Cyries, as the case may be, or their agents.

10.4 Survival

Except for the obligations set forth in Sections 2.4(e), 8.1(i), 9.1 (l), 9.2 (if the Effective Date occurs), 9.3 (if the Effective Date occurs), 9.4 (if the Effective Date occurs), 10.3, 10.5, 10.6, 14.3 and 14.8 (which shall survive any termination of this Agreement and continue in full force and effect), no party shall have any further obligations to any other party hereunder with respect to this Agreement following its termination. The covenants contained in this Section 10.4 shall survive any termination of this Agreement and continue in full force and effect.

10.5 Termination Fees

Cyries agrees to pay Iteration in immediately available funds (within one day of the date of the occurrence of any event below) the amount of $13,250,000 (the "**Cyries Termination Fee**"):

(a) if the board of directors of Cyries fails to unanimously recommend, or changes, withdraws or modifies (in a manner materially adverse to the likelihood of a favorable vote) its recommendation to Cyries Securityholders to vote in favour of the Arrangement;

(b) if the board of directors of Cyries fails to reaffirm its approval or recommendation of the Arrangement upon request of Iteration, or upon an Acquisition Proposal being announced, proposed, offered or made, publicly to either the Cyries Securityholders or Cyries (such affirmation must be made within 3 business days of such request being made);

(c) if Cyries enters into an agreement with respect to a Superior Proposal, provided that in such case, the timing of the payment of the Cyries Termination Fee shall be as set out in Section 8.5(d) (other than a confidentiality agreement pursuant to Section 8.4); or

(d) if: (i) a *bona fide* Acquisition Proposal (or *bona fide* intention to make one) is made or announced publicly, by any third party (other than Iteration its subsidiaries or their respective affiliates and associates); (ii) such Acquisition Proposal has not been withdrawn or expired prior to the date of the Meeting; (iii) the Meeting is held and the Arrangement is not approved by the required majority of Cyries Securityholders at such Meeting; (iv) the Agreement is terminated pursuant to Subsection 10.1(d) or Subsection 10.2(d); and (v) Cyries enters into an agreement that constitutes an Acquisition Proposal (of any kind) with the party making such Acquisition Proposal (of any kind) or an Acquisition Proposal is completed with such party, in either case within 12 months from the date of such termination.

For greater certainty, Cyries shall not be obligated to make more than one payment under this Section 10.5 if one or more of the events specified therein occurs.

10.6 Effect of Payment of Termination Fee

Each party acknowledges that:

(a) the amount set out in Section 10.5 represents liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, which Iteration will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and are not penalties;

(b) Cyries irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive;

(c) the Cyries Termination Fee to be received pursuant to Section 10.5 is the sole remedy in compensation or damages of Iteration in respect of the events giving rise to the payment of the Cyries Termination Fee; provided however that nothing contained in such Section, including the payment of an amount under such Section shall relieve or have the effect of relieving any party in any way from liability for damages incurred or suffered by a party as a result of a breach of this Agreement by a party acting in bad faith with a clear intent and design to prevent the conditions precedent to this Agreement's completion from being satisfied; and

(d) nothing herein shall preclude a party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or the Confidentiality Agreement or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 11
AMENDMENT

11.1 Amendment

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Meeting, be amended by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders, and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties hereto;

(b) waive any inaccuracies or modify any representation, term or provision contained herein or in any document delivered pursuant hereto; or

(c) waive compliance with or modify any of the covenants or conditions herein contained and waive or modify performance of any of the obligations of the parties hereto,

provided that any such amendment may not reduce or materially adversely affect the consideration to be received by a Cyries Securityholder without approval by the affected securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

ARTICLE 12
DISCLOSURE

12.1 Disclosure

Upon execution of this Agreement, the parties hereto shall issue a joint press release which announces that the parties hereto have entered into a formal agreement providing for the implementation of the Plan of Arrangement. The parties shall not issue any press release without the consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, if either party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated herein, such disclosure may be made, but that party will inform, to the extent reasonably feasible, the other party as to the wording of such disclosure prior to its being made.

ARTICLE 13
PRIVACY ISSUES

13.1 Privacy Issues

(a) For the purposes of this Section 13.1, the following definitions shall apply:

- (i) "applicable law" means, in relation to any person, transaction or event, all provisions of Applicable Laws by which such person is bound or having application to the transaction or event in question, including applicable privacy laws;

- (ii) "applicable privacy laws" means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta) and the *Personal Information Protection Act* (British Columbia);

- (iii) "authorized authority" means, in relation to any person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such person, transaction or event; and

- (iv) "Personal Information" means information about an identifiable individual.

(b) The parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of Personal Information acquired by or disclosed to either party pursuant to or in connection with this Agreement (the "Disclosed Personal Information").

(c) Neither party shall use the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement.

(d) Each party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the parties shall proceed with the Arrangement, and that the disclosure of the Disclosed Personal Information relates solely to the carrying on of the business and the completion of the Arrangement.

(e) Each party acknowledges and confirms that it has and shall continue to employ appropriate technology and procedures in accordance with applicable law to prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.

(f) Each party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the parties' obligations hereunder. Each party shall ensure that access to the Disclosed Personal Information shall be restricted to those employees. or advisors of the respective party who have a bona fide need to access to such information in order to complete the Arrangement.

(g) Each party shall promptly notify the other party of all inquiries, complaints, requests for access, and claims of which the party is made aware in connection with the Disclosed Personal Information. The parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, and claims.

(h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either party, the other party shall forthwith cease all use of the Disclosed Personal Information and will, except as required by applicable law, return to the party or, at the party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies).

ARTICLE 14
GENERAL

14.1 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a party to any other party shall be in writing and may be given by delivering same or sending same by facsimile transmission or by hand delivery addressed to the party to whom the notice is to be given at its address for service herein. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a business day and, if not, the next succeeding business day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless actually received after 6:00 p.m. (Calgary time) at the point of delivery in which case it shall be deemed to have been given and received on the next business day. If this Agreement requires specification of the time (not just the date) of delivery the time of delivery shall be deemed to be: (a) if delivered by fax, the time included on the fax header; and (b) if delivered in the time that delivery actually occurs.

14.2 Addresses

The address for service of each of the parties hereto shall be as follows:

if to Cyries:

Cyries Energy Inc.
3200, 500 – 4th Ave SW
Calgary, AB T2P 2V6
Fax No.: (403) 262-0055
Attention: Don Archibald

with a copy to:

Macleod Dixon LLP
3700, 400 - 3rd Avenue SW
Calgary, AB T2P 4H2
Fax No.: (403) 264-5973
Attention: Robert Engbloom, Q.C.

if to Iteration:

Iteration Energy Ltd.
700, 700 – 2nd Street SW
Calgary, AB T2P 2W1
Fax No.: (403) 266-1814
Attention: Brian Illing

with a copy to:

Bennett Jones LLP
4500 Bankers Hall East
855 - 2nd Street SW
Calgary, AB T2P 4K7
Fax No.: (403) 265-7219
Attention: Darrell Peterson

14.3 Costs

Except as contemplated in the Arrangement and herein, each party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby. Iteration and Cyries shall share equally any filing fees payable for applications made under the Competition Act in respect of the transactions contemplated by the Arrangement.

14.4 Time

Time shall be of the essence in this Agreement.

14.5 Entire Agreement

This Agreement:

(a) from the date hereof constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof; and

(b) is not intended to confer upon any other person any rights or remedies hereunder, except for the Cyries Securityholders to receive the consideration under the Arrangement at the Effective Time and the right of Cyries, on behalf of the Cyries Securityholders, to pursue damages in the event of Iteration's breach of the Agreement or fraud and except as acknowledged pursuant to Section 9.4,

except that this Agreement does not supersede the provisions of the Confidentiality Agreement, which shall remain in effect.

14.6 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

(a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in anyway be affected or impaired by the severance of the provisions or parts thereof severed; and

(b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

14.7 Further Acts

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable law as advised by counsel, each of the parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts:

(a) to obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts (including, without limitation, the agreement of any persons as may be required pursuant to any agreement, arrangement or understanding relating to Cyries' operations);

(b) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations;

(c) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;

(d) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby;

(e) to effect all necessary registrations and other filings and submissions of information requested by governmental authorities; and

(f) to fulfill all conditions and satisfy all provisions of this Agreement.

For purposes of this Agreement, the obligation to use "commercially reasonable efforts", or similar terms, to obtain waivers, consents, approvals and authorizations to loan agreements, leases and other contracts or under laws or regulation shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations.

14.8 Governing Law and Attornment

This Agreement shall be governed by, and be construed in accordance with, the laws of the Province of Alberta and applicable laws of Canada but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Alberta. Each party hereto hereby irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta in respect of all matters arising under or in relation to this Agreement.

14.9 Execution

This Agreement may be executed in facsimile or electronic counterparts, each of which is and is hereby conclusively deemed to be an original and counterparts collectively are to be conclusively deemed one instrument and may be delivered in facsimile or by electronic means.

14.10 Waiver

No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

14.11 Assignment

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement may not be assigned by any party hereto without the prior consent of the other party hereto except that Iteration may assign all or a portion of its rights under this Agreement to any Subsidiary of Iteration, but no assignment shall relieve Iteration of its obligations hereunder.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

ITERATION ENERGY LTD.

By: *(Signed)* "Brian Illing"
President and Chief Executive Officer

CYRIES ENERGY INC.

By: *(Signed)* "Gary Peddle"
Vice President, Corporate

SCHEDULE A

ITERATION'S REPRESENTATIONS AND WARRANTIES

Iteration represents and warrants to Cyries that:

Corporate Matters

(a) Each of Iteration and the Iteration Subsidiaries has been duly incorporated or formed and is duly organized and validly existing under the laws of the jurisdiction of its incorporation or formation, as applicable, has the capacity, power and authority to own or lease its property and assets and to carry on its business as now conducted by it;

(b) Iteration and each of the Iteration Subsidiaries is duly qualified to carry on business in each jurisdiction in which the nature of its respective business or the property or assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified will not have a Material Adverse Effect on Iteration;

(c) Iteration has no Subsidiaries other than Iteration Energy Inc., Iteration Energy (a general partnership) and Iteration Energy Partnership 2007 (a general partnership) and all of the outstanding shares in the capital of and other ownership interests of the Iteration Subsidiaries are validly issued, fully paid and non-assessable and all such shares and other ownership interests are owned directly or indirectly by Iteration and are: (i) owned free and clear of all material liens, claims or encumbrances; and (ii) there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such shares of capital stock or other ownership interests in any of the Iteration Subsidiaries;

(d) as of the date of this Agreement, the authorized capital of Iteration consists of an unlimited number of Iteration Shares and an unlimited number of preferred shares issuable in series ("**Iteration Preferred Shares**") of which as at the date of this Agreement 71,029,780 Iteration Shares are issued and outstanding, all of which are issued as fully paid and non-assessable and no Iteration Preferred Shares are issued and outstanding;

(e) as of the date of this Agreement, no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre-emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of, nor any agreement, option, right or privilege capable of becoming any such agreement, option, right or privilege, any of the unissued shares or other securities of Iteration or the Iteration Subsidiaries except for 6,559,923 Iteration Options to acquire 6,559,923 Iteration Shares and 4,721,667 Iteration Warrants to acquire 4,721,667 Iteration Shares;

(f) the minute books of Iteration and the Iteration corporate Subsidiaries are true and correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders from July 1, 2005, other than minutes of directors meetings held since November 13, 2007, which minutes have not yet been prepared;

Execution and Performance of the Agreement

(g) Iteration has all requisite corporate power and authority to enter into this Agreement and all documents to be delivered pursuant hereto and thereto and, subject to the terms hereof, to perform its obligations hereunder and thereunder;

(h) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto, the performance of the terms hereof and thereof and the consummation of the transactions contemplated herein and therein do not and will not:

   (i) result in the breach of or violate any term or provision of the articles, by-laws or governing documents of Iteration or any of the Iteration Subsidiaries;

   (ii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which Iteration or any of the Iteration Subsidiaries is a party or by which Iteration or any of the Iteration Subsidiaries is bound or to which any of Iteration's or the Iteration Subsidiaries' assets are subject;

   (iii) result in the creation of any Encumbrance upon any of Iteration's assets or the assets of any of the Iteration Subsidiaries;

   (iv) give to any person any material interest or right, including the right of purchase, termination, cancellation or acceleration under any agreement, instrument, license, permit or authority to which Iteration or any of the Iteration Subsidiaries is a party or by which Iteration or any of the Iteration Subsidiaries is bound or to which any of Iteration's or any of the Iteration Subsidiaries' property is subject; or

   (v) violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to either Iteration, the Iteration Shares or any of the Iteration Subsidiaries,

except to the extent such result or occurrence does not have a Material Adverse Effect on Iteration;

(i) this Agreement has been, duly authorized, executed and delivered by Iteration and all documents to be executed and delivered by Iteration pursuant thereto to Cyries shall be duly executed and delivered and this Agreement constitutes legal, valid and binding obligations of Iteration enforceable against it in accordance with its terms;

Iteration Shares

(j) the Iteration Shares to be issued pursuant to the Plan of Arrangement will, upon issuance, be duly and validly issued as fully paid and non-assessable shares of Iteration;

Board Recommendation

(k) at a meeting of directors held on January 18, 2008, the Iteration directors unanimously approved the entering into of the Agreement and the performance of its obligations hereunder;

Compliance with Law

(l) Iteration and each of the Iteration Subsidiaries has complied with all laws or regulations applicable to the operation of its respective business, including all Applicable Laws, and Iteration or the Iteration Subsidiaries, as applicable, has all licenses, permits, orders or approvals of, and has made all required registrations with any government or regulatory body that are material to the conduct of its business, except where failure to do so would not have a Material Adverse Effect on Iteration and none of such licenses, permits, orders or approvals contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on Iteration, its business or Iteration's assets;

(m) Iteration is a "reporting issuer" or has equivalent status in all of the provinces and territories of Canada and Iteration has not been notified of any default currently outstanding or alleged default by Iteration of any requirement of securities and corporate laws, regulations, orders, notices and policies other than as has been disclosed to Cyries on or before the date of this Agreement;

(n) other than orders which are no longer in effect, no securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Iteration and Iteration is not in default of any requirement of Applicable Laws which could have a Material Adverse Effect on Iteration;

(o) except as has been disclosed by Iteration to Cyries in writing on or before the date hereof, to the knowledge of Iteration, after due inquiry, there are no actions, suits, other legal, administrative or arbitration proceedings or government investigations commenced, contemplated, at law or in equity or before or by any court or other Governmental Authority and which involve or affect Iteration or any of the Iteration Subsidiaries, their respective businesses or assets, including, without limitation, the title to, or ownership of, their respective assets, which could have a Material Adverse Effect on Iteration, its business or Iteration's assets and, to the knowledge of Iteration, after the due inquiry, there are no grounds upon which any such actions, suits or proceedings may be commenced with a reasonable likelihood of success;

Contingent Obligations

(p) except as has been disclosed by Iteration to Cyries in writing on or before the date hereof, neither Iteration nor any of the Iteration Subsidiaries is party to or bound by any agreement, guarantee, indemnification, or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person, firm or corporation;

(q) neither Iteration nor any of the Iteration Subsidiaries has any agreements to acquire any other corporate entity, or to acquire or lease any other business operations out of the ordinary course;

Financial Statements

(r) the Iteration Financial Statements have been prepared in accordance with Canadian GAAP applied on a basis consistent with that of prior periods (except as stated therein) and present fairly the financial position of Iteration as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Iteration as at the dates thereof;

No Material Adverse Effect

(s) except as has been disclosed in the Iteration Public Documents on or before the date hereof, since December 31, 2006, there has not been any Material Adverse Effect on Iteration;

(t) except as has been disclosed in the Iteration Public Documents on or before the date hereof or as expressly disclosed in the audited consolidated financial statements of Iteration as at December 31, 2006, Iteration has not incurred any liabilities of any nature, whether accrued, contingent or otherwise that have constituted or would be reasonably likely to constitute a Material Adverse Effect on Iteration;

Oilfield Operations

(u) Iteration is not aware of any defects, failures or impairments in the title of Iteration or the title of any of the Iteration Subsidiaries to their respective oil and gas properties or facilities, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a Material Adverse Effect on Iteration;

(v) subject to the rights, covenants, conditions and stipulations in the title documents and any agreement pertaining to Iteration's or any of the Iteration Subsidiaries' assets and on the lessee's or holder's part thereunder to be paid or performed and observed, Iteration or the Iteration Subsidiary, as applicable, may enter into and upon, hold and enjoy the property and assets of Iteration and each Iteration Subsidiary for the remainder of their respective terms and all renewals or extensions thereof for their own use and benefit without any lawful interruption of or by any other person whomsoever claiming by, through or under Iteration or any of the Iteration Subsidiaries;

(w) Iteration has conducted (and is conducting) its business in accordance with good oilfield practices except where the failure to do so would not have a Material Adverse Effect on Iteration;

(x) all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of petroleum substances or the receipts of proceeds therefrom payable by Iteration in respect of any properties or assets up to the date hereof and to the Effective Time have been or will be properly and fully paid and discharged;

Reserve Report

(y) Iteration has provided to McDaniel and Associates Consultants Ltd. ("**McDaniel**"), independent geological and petroleum engineering consultants, all material information concerning its and the Iteration Subsidiaries' assets and reserves in respect of the engineering report of McDaniel dated effective December 31, 2006 ("**Iteration's Engineering Report**") and, in particular, all material information respecting Iteration's and the Iteration Subsidiaries' interests in these assets. Iteration has provided Cyries with all recent production data and other material information relating to all wells described in Iteration's Engineering Report which is available to it or of which it has knowledge;

Arrangements with Insiders

(z) no officer, director, employee or consultant of Iteration or any of the Iteration Subsidiaries, any associate or affiliate of any such person or any party not at arm's length to Iteration and the Iteration Subsidiaries owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from Iteration's or any of the Iteration Subsidiaries' properties or assets or any revenue or rights attributed thereto;

(aa) except as have been disclosed by Iteration to Cyries on or before the date hereof, there are no contracts or arrangements to which Iteration or any of the Iteration Subsidiaries is a party with any director, officer, employee or consultant of Iteration or any of the Iteration Subsidiaries, or any associate or affiliate of any such director, officer, employee or consultant, nor is there any indebtedness owing by Iteration or any of the Iteration Subsidiaries to any such parties or by any such parties to Iteration or any of the Iteration Subsidiaries;

(bb) except as has been disclosed by Iteration to Cyries on or before the date hereof, neither Iteration nor any Iteration Subsidiary has any employee benefit plans nor made any promises with respect to increased benefits under such plans. The financial obligations of Iteration and the Iteration Subsidiaries under such plans are as disclosed to Cyries in writing;

Taxation

(cc) each of Iteration and each of the Iteration Subsidiaries have: (i) duly and timely filed, in proper form, Tax Returns under the Income Tax Act, the *Alberta Corporate Tax Act* (Alberta), the income tax legislation of any other province of Canada or any foreign country in which Iteration or any of the Iteration Subsidiaries, as applicable, carries on business or to the jurisdiction of which Iteration or any of the Iteration Subsidiaries, as applicable, is otherwise subject for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing with respect to periods ending on after December 31, 2002 have been paid or accrued on the books of Iteration; (ii) timely and properly paid (or had paid on its behalf) all material Taxes due and payable for all periods or portions thereof whether or not shown on such Tax Returns; (iii) established in its books of account, in accordance with GAAP and consistent with past practices, adequate reserves for the payment of any Taxes not then due and payable; and (iv) complied with all material applicable laws relating to the withholding of Taxes and the payment thereof;

(dd) there are no outstanding agreements or waivers material to Iteration or any of the Iteration Subsidiaries extending the statutory period of limitations applicable to any Tax Return for any period and there are no assessments or reassessments respecting Iteration or any of the Iteration Subsidiaries that are material to Iteration of which Iteration or any of the Iteration Subsidiaries has notice pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority;

(ee) Iteration:

(i) is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act;

(ii) has no class of securities registered under Section12 of the U.S. Exchange Act;

(iii) is not required to file reports under Section 15(d) of the U.S. Exchange Act;

Environmental Matters

(ff) except to the extent that any violation or other matter referred to in this paragraph does not have a Material Adverse Effect on Iteration:

(i) neither Iteration nor any of the Iteration Subsidiaries are in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(ii) Iteration and each of the Iteration Subsidiaries have operated their businesses at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Iteration or any of the Iteration Subsidiaries or under their respective control;

(iv) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any 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 Iteration or any of the Iteration Subsidiaries;

(v) neither Iteration nor any of the Iteration Subsidiaries have notice of any orders, directions or notices that have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Iteration or any of the Iteration Subsidiaries;

(vi) neither Iteration nor any of the Iteration Subsidiaries have failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and

(vii) Iteration and each of the Iteration Subsidiaries holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of their respective businesses and the ownership and use of their respective assets, all such licenses, permits and approvals are in full force and effect, and neither Iteration nor any of the Iteration Subsidiaries have received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

Disclosure

(gg) all material data and information provided by Iteration to Cyries and its agents and representatives is true and correct in all material respects, as at the respective dates thereof and does not omit any data or information necessary to make the data and information provided, taken as a whole, not misleading in any material respect;

(hh) the information and statements set forth in the Iteration Public Documents were true, correct and complete in all material respects and did not contain any misrepresentations, as of their dates, no material change has occurred in relation to Iteration which is not disclosed in such public record;

(ii) the information, data and other material (financial or otherwise) in respect of Iteration to be included in the Information Circular will be complete and correct in all material respects at the date thereof and will not contain any misrepresentations or any untrue statement of a material fact in respect of Iteration or its business, and will not omit to state a material fact necessary to make such information not misleading in light of the circumstances under which it is presented;

Insurance

(jj) policies of insurance in force as of the date hereof naming Iteration as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of Iteration's business as is customary in respect of the businesses carried on by Iteration;

Flow-through Expenses

(kk) Iteration has incurred sufficient qualified expenditures as necessary to renounce exploration and development expenses with respect to subscription funds received pursuant to any flow-through common share subscription agreements to which Iteration is or has been a party;

No Shareholder Rights Plan

(ll) Iteration is not a party to and does not have in place any shareholder rights plan; and

Tax Pools

(mm) as at December 31, 2006, Iteration's consolidated tax pools were not less than:

(i) $43,000,000 with respect to Canadian Oil and Gas Property Expense;

(ii) $60,000,000 with respect to Canadian Development Expense;

(iii) $27,000,000 with respect to Canadian Exploration Expense;

(iv) $58,000,000 with respect to Undepreciated Capital Costs; and

(v) $4,000,000 with respect to unamortized share issue costs.

SCHEDULE B

CYRIES' REPRESENTATIONS AND WARRANTIES

Cyries represents and warrants to Iteration that:

Corporate Matters

(a) Each of Cyries and its Subsidiary is a corporation duly organized and validly existing under the laws of the jurisdiction of its incorporation, has the capacity, power and authority to own or lease its property and assets and to carry on its business as now conducted by it;

(b) Cyries and its Subsidiary are each duly qualified to carry on business in each jurisdiction in which the nature of its business or the property or assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified will not have a Material Adverse Effect on Cyries;

(c) Cyries has no Subsidiaries other than Cyries Wyoming Inc. and all of the outstanding shares in the capital of and other ownership interests of Cyries' Subsidiary is validly issued, fully paid and non-assessable and all such shares and other ownership interests are owned directly or indirectly by Cyries and are: (i) owned free and clear of all material liens, claims or encumbrances; and (ii) there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any such shares of capital stock or other ownership interests in Cyries' Subsidiary;

(d) the authorized capital of Cyries consists of an unlimited number of Cyries Shares, an unlimited number of preferred shares (the "**Cyries Preferred Shares**") issuable in series, and up to 605,285 Cyries Performance Shares, of which as at the date hereof 54,262,684 Cyries Shares are issued and outstanding and no Cyries Preferred Shares and 527,680 Cyries Performance Shares are issued and outstanding as at the Effective Date; not more than 54,262,684 Cyries Shares will be issued and outstanding (except as such figure may increase pursuant to the issuance of Cyries Shares pursuant to the options, warrants and convertible securities described in (e), all of which will be issued as fully paid and non-assessable;

(e) no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre-emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of, nor any agreement, option, right or privilege capable of becoming any such agreement, option, right or privilege, any of the unissued shares or other securities of Cyries or its Subsidiary except Cyries Options to purchase in the aggregate not more than 4,384,293 Cyries Shares, Cyries Warrants to purchase in the aggregate not more than 3,287,098 Cyries Shares and 527,680 Cyries Performance Shares convertible into Cyries Shares in accordance with their terms;

(f) the minute books of Cyries and its Subsidiary are true and correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof other than minutes of directors meetings held since November 1, 2007 which minutes have not yet been prepared;

Execution and Performance of the Agreement

(g) Cyries has all requisite corporate power and authority to enter into this Agreement and all documents to be delivered pursuant hereto and thereto and, subject to the terms hereof, to perform its obligations hereunder and thereunder;

(h) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto, the performance of the terms hereof and thereof and the consummation of the transactions contemplated herein and therein do not and will not:

(i) result in the breach of or violate any term or provision of the articles, by-laws or governing documents of Cyries or its Subsidiary;

(ii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which Cyries or its Subsidiary is a party or by which Cyries or its Subsidiary is bound or to which any of Cyries' or its Subsidiary's property is subject;

(iii) result in the creation of any Encumbrance upon any of its assets or the assets of its Subsidiary;

(iv) give to any person any material interest or right, including the right of purchase, termination, cancellation or acceleration (other than accelerated vesting and exercise rights of the Cyries Options) under any agreement, instrument, license, permit or authority to which Cyries or its Subsidiary is a party or by which it is bound or to which any of their Cyries' or its Subsidiary's property is subject; or

(v) violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to either Cyries, the Cyries Shares or Cyries' Subsidiary,

except to the extent such result or occurrence does not have a Material Adverse Effect on Cyries;

(i) this Agreement has been duly authorized, executed and delivered by Cyries and all documents to be executed and delivered by Cyries pursuant thereto to Iteration shall be duly executed and delivered and this Agreement constitutes legal, valid and binding obligations of Cyries enforceable against it in accordance with its terms;

Board Recommendation

(j) the board of directors of Cyries, upon consultation with its advisors, has determined that the Arrangement is fair to the Cyries Securityholders, that the Arrangement is in the best interests of Cyries and Cyries Securityholders, has (with one member of the board absent for health reasons) unanimously approved the Arrangement and the entering into of this Agreement and will unanimously recommend Cyries Securityholders vote in favour of the Arrangement and the board of directors of Cyries has received the verbal opinion of FE and expects to receive, at the time of mailing of the Information Circular, an opinion from FE that the consideration to be received by the Cyries Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Cyries Shareholders;

Transaction Costs

(k) Cyries has not incurred (and will not incur) any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commission, financial advisory fees, legal fees, printing costs or other similar costs with respect to the transactions contemplated herein exceeding $4,250,000;

Compliance with Law

(l) Cyries and its Subsidiary have complied with all laws or regulations applicable to the operation of its respective business, including all Applicable Laws, and Cyries and its Subsidiary have all licenses, permits, orders or approvals of, and have made all required registrations with any government or regulatory body that are material to the conduct of their respective business, except where failure to do so would not have a Material Adverse Effect on Cyries and none of such licenses, permits, orders or approvals contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on Cyries;

(m) to the knowledge of Cyries, after due inquiry there are no actions, suits, other legal, administrative or arbitration proceedings or government investigations commenced, contemplated, at law or in equity or before or by any court or other Governmental Authority and which involve or affect Cyries or its Subsidiary, including, without limitation, the title to, or ownership of, Cyries' or its Subsidiary's assets, which could have a Material Adverse Effect on Cyries and, to the knowledge of Cyries, after the due inquiry, there are no grounds upon which any such actions, suits or proceedings may be commenced with a reasonable likelihood of success;

Contingent Obligations

(n) (other than a guarantee by Cyries in favour of its Subsidiary in respect of its credit facility) neither Cyries nor its Subsidiary is a party to or bound by any agreement, guarantee, indemnification, or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person, firm or corporation;

(o) neither Cyries nor its Subsidiary have any agreements of any nature to acquire any other corporate entity, or to acquire or lease any other business operations out of the ordinary course;

Financial Statements

(p) the Cyries Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada applied on a basis consistent with that of prior periods (except as stated therein) and present fairly the financial position of Cyries as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Cyries as at the dates thereof;

No Material Adverse Effect

(q) except as has been disclosed in the Cyries Public Documents on or before the date hereof, since December 31, 2006, there has not been any Material Adverse Effect on Cyries;

(r) except as has been disclosed in the Cyries Public Documents on or before the date hereof or as expressly disclosed in the audited consolidated financial statements of Cyries as at December 31, 2006, neither Cyries nor its Subsidiary have incurred any liabilities of any nature, whether accrued, contingent or otherwise that have constituted or would be reasonably likely to constitute a Material Adverse Effect on Cyries;

Oilfield Operations

(s) Cyries is not aware of any defects, failures or impairments in the title of Cyries or its Subsidiary to their respective oil and gas properties or facilities, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a Material Adverse Effect on Cyries;

(t) subject to the rights, covenants, conditions and stipulations in the title documents and any agreement pertaining to the assets of Cyries and its Subsidiary and on the lessee's or holders part thereunder to be paid or performed and observed, Cyries and its Subsidiary, as applicable, may enter into and upon, hold and enjoy their respective property and assets for the remainder of their respective terms and all renewals or extensions thereof for Cyries' or its Subsidiary's, as applicable, own use and benefit without any lawful interruption of or by any other person whomsoever claiming by, through or under Cyries or its Subsidiary, as applicable;

(u) Cyries and its Subsidiary have conducted (and are conducting) their respective business in accordance with good oilfield practices except where the failure to do so would not have a Material Adverse Effect on Cyries;

(v) all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of petroleum substances or the receipts of proceeds therefrom payable by Cyries or its Subsidiary in respect of any properties or assets up to the date hereof and to the Effective Time have been or will be properly and fully paid and discharged;

Reserve Report

(w) Cyries and its Subsidiary have provided to GLJ Petroleum Consultants ("**GLJ**"), independent geological and petroleum engineering consultants, all material information concerning their respective assets and reserves in respect of the engineering report of GLJ effective December 31, 2006 (the "Cyries Engineering Report") and, in particular, all material information respecting Cyries' or its Subsidiary's interests in these assets. Cyries has provided to Iteration all recent production data and other material information relating to all wells described in the Cyries Engineering Report, which is available to it or of which it has knowledge;

Arrangements with Insiders

(x) other than set forth in the Cyries Disclosure Letter, no officer, director, employee or consultant of Cyries or its Subsidiary, any associate or affiliate of any such person or any party not at arm's length to Cyries and its Subsidiary owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are payable by Cyries or its Subsidiary which are based on production from Cyries' or its Subsidiary's properties or assets or any revenue or rights attributed thereto;

(y) except as have been disclosed by Cyries to Iteration on or before the date hereof, there are no contracts or arrangements to which Cyries or its Subsidiary is a party with any director, officer, employee or consultant of Cyries or its Subsidiary, or any associate or affiliate of any such director, officer, employee or consultant, nor is there any indebtedness owing by Cyries or its Subsidiary to any such parties or by any such parties to Cyries or its Subsidiary;

(z) except as has been disclosed by Cyries to Iteration on or before the date hereof, neither Cyries nor its Subsidiary are a party to any material employment or consulting agreement or any written agreement which provides for a payment by Cyries or its Subsidiary upon a change of control of Cyries or severance of employment;

(aa) except as has been disclosed by Cyries to Iteration in writing on or before the date hereof, neither Cyries nor its Subsidiary has any employee benefit plans or has made any promises with respect to increased benefits under such plans. The financial obligations of Cyries and its Subsidiary under such plans are as disclosed to Iteration in writing;

Taxation

(bb) each of Cyries and its Subsidiary have: (i) duly and timely filed, in proper form, Tax Returns under the Income Tax Act, the *Alberta Corporate Tax Act* (Alberta), the income tax legislation of any other province of Canada or any foreign country in which Cyries or its Subsidiary, as applicable, carries on business or to the jurisdiction of which Cyries or its Subsidiary, as applicable, is otherwise subject for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing with respect to periods ending on after December 31, 2004 have been paid or accrued on the books of Cyries; (ii) timely and properly paid (or had paid on its behalf) all Taxes due and payable for all periods or portions thereof whether or not shown on such Tax Returns; (iii) established in its books of account, in accordance with GAAP and consistent with past practices, adequate reserves for the payment of any Taxes not then due and payable; and (iv) complied with all material applicable laws relating to the withholding of Taxes and the payment thereof;

(cc) there are no outstanding agreements or waivers material to Cyries or its Subsidiary extending the statutory period of limitations applicable to any Tax Return for any period and there are no assessments or reassessments respecting Cyries or its Subsidiary that are material to Cyries of which Cyries or its Subsidiary has notice pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority;

(dd) Cyries:

(i) is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act;

(ii) has no class of securities registered under Section12 of the U.S. Exchange Act;

(iii) is not required to file reports under Section 15(d) of the U.S. Exchange Act;

(iv) does not have assets in the United States having an aggregate total value of over US$59,600,000 and has not made aggregate sales in or into United States in excess of US$59,600,000 in its most recent fiscal year (value of assets in the United States and amount of sales in or into the United States calculated in accordance with the *Hart-Scott-Rodino Antitrust Improvement Act of 1976* and regulations thereunder); and

(v) the fair market value of the securities of Cyries' Subsidiary held by Cyries does not exceed US$59,600,000;

Environmental Matters

(ee) except to the extent that any violation or other matter referred to in this paragraph does not have a Material Adverse Effect on Cyries, to its knowledge:

(i) neither Cyries nor its Subsidiary are in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(ii) each of Cyries and its Subsidiary have operated their businesses at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Cyries or its Subsidiary or under their respective control;

(iv) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any 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 Cyries or its Subsidiary;

(v) neither Cyries nor its Subsidiary have notice of any orders, directions or notices that have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Cyries or its Subsidiary;

(vi) neither Cyries nor its Subsidiary have failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and

(vii) Cyries and its Subsidiary hold all licenses, permits and approvals required under any Environmental Laws in connection with the operation of their respective business and the ownership and use of their respective assets, all such licenses, permits and approvals are in full force and effect, and neither Cyries nor its Subsidiary have received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

Disclosure

(ff) all material data and information provided by Cyries to Iteration and its agents and representatives, is true and correct in all material respects, as at the respective dates thereof and does not omit any data or information necessary to make the data and information provided, taken as a whole, not misleading in any material respect;

(gg) the information and statements set forth in the Cyries Public Documents were true, correct and complete in all material respects and did not contain any misrepresentations, as of their dates, no material change has occurred in relation to Cyries which is not disclosed in such public record;

Contracts, Permits and Other Matters

(hh) all agreements, permits, licenses, approvals, certificates, rights and authorizations, material to the conduct of Cyries' or its Subsidiary's business have been made available to Iteration on or before the date hereof and all such agreements, permits, licenses, approvals, certificates, rights and authorizations are valid and subsisting, in accordance with their respective terms and neither Cyries nor its Subsidiary are in material default under any of such agreements, permits, licenses, approvals, certificates, rights or authorizations;

Insurance

(ii) policies of insurance in force as of the date hereof naming Cyries as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of Cyries' business as is customary in respect of the businesses carried on by Cyries;

Employment

(jj) the Employee Obligations (including amounts payable in respect of vacation time) do not and will not exceed an aggregate of $4,120,000;

Information Circular

(kk) the Information Circular, when mailed to Cyries Securityholders in accordance with the Interim Order, shall contain all information which is required to be included therein in accordance with all Applicable Laws, and shall in all respects comply with the requirements of all Applicable Laws of the provinces of Canada and the federal laws of the United States;

Flow-through Expenses

(ll) Cyries has incurred qualified expenditures as necessary to renounce exploration and development expenses with respect to subscription funds received pursuant to any flow-through common share subscription agreements to which Cyries is or has been a party;

No Shareholder Rights Plan

(mm) Cyries is not a party to and does not have in place any shareholder rights plan; and

Tax Pools

(nn) As at December 31, 2006, Cyries' tax pools were not less than:

(i) $71,000,000 with respect to Canadian Oil and Gas Property Expense;

(ii) $78,000,000 with respect to Canadian Development Expense;

(iii) $21,000,000 with respect to Canadian Exploration Expense;

(iv) $78,000,000 with respect to Undepreciated Capital Costs; and

(v) $5,000,000 with respect to unamortized share issue costs.

SCHEDULE C

VOTING AGREEMENT

___________________, 2008

CONFIDENTIAL

Dear Securityholder:

Re: Arrangement Involving Iteration and Cyries

We understand that you (the "**Securityholder**") beneficially own, directly or indirectly, or exercise control or direction over the number of Cyries Shares (the "**CCo. Shares**") and Cyries Warrants (the "**CCo. Warrants**") (collectively, the "**Subject Securities**"), as set forth in your acceptance at the end of this letter agreement ("**Agreement**").

Reference is made to the Arrangement Agreement dated as of the date hereof (the "**Arrangement Agreement**") between Iteration and Cyries which contemplates a plan of arrangement pursuant to the *Business Corporations Act* (Alberta). Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Arrangement Agreement.

This letter sets forth the agreement between you and Iteration relating to you voting all of the Subject Securities that you own (or over which you exercise control or direction) and any additional CCo. Shares that you may hereafter become the beneficial owner of (or exercise control or direction over) in favour of the Plan of Arrangement at the meeting of Cyries Securityholders (or any adjournment thereof) (the "**Meeting**") called to approve the Plan of Arrangement. All capitalized terms not defined herein shall have the meanings attributed thereto in the Arrangement Agreement.

In consideration for Iteration entering into the Arrangement Agreement with Cyries, Iteration and the Securityholder agrees as follows.

1. Covenants of the Securityholder

By acceptance of this Agreement, the Securityholder hereby irrevocably and unconditionally agrees, subject to the terms of Section 5 below, from the date hereof until the Effective Time:

(a) to take all such reasonable commercial steps as may be required to cause all of the Subject Securities to be voted in favour of the resolutions approving the Plan of Arrangement and any and all related matters to be put before the Securityholders at the Meeting, as contemplated by the Arrangement Agreement (provided that the Securityholder has no obligation to exercise Cyries Options or CCo. Warrants);

(b) to vote to oppose any proposed action by any person which could prevent or delay the completion of the Plan of Arrangement and the transactions contemplated by the Arrangement Agreement at the Meeting;

(c) to not exercise any statutory rights of dissent and appraisal in respect of any resolutions authorizing the Plan of Arrangement and, and to not exercise any other shareholder rights or remedies available at common law or pursuant to the ABCA or the interim Order to delay, hinder, or upset or challenge the Plan of Arrangement;

(d) not sell, transfer, assign, pledge, or otherwise dispose of, or enter into any agreement or understanding relating to the sale, transfer, assignment, pledge or other disposition of the Cyries Securities; and

(e) if the Securityholder is a director or officer of Cyries, to, if requested by Iteration and upon receipt of a mutual release satisfactory to the parties hereof, resign as a director and/or officer, as applicable, of Cyries effective at the Effective Date and to, if the Effective Date occurs, use its reasonable commercial efforts to enable Iteration to elect or appoint all of the directors of Cyries.

It is acknowledged that the covenants of the Securityholder set forth in this Section 1 relate to the Securityholder acting solely in the capacity of a holder of Cyries Securities and not as a director and/or officer of Cyries and shall not affect or restrict any legal or equitable obligation imposed on such Securityholder acting in the capacity of a director or officer of Cyries, including in respect of the discussion or negotiation of an Acquisition Proposal by a Securityholder who is a director or officer of Cyries.

2. Agreement as to Cyries Options and Cyries Performance Shares

The Securityholder agrees that, immediately prior to the Effective Time, each outstanding Cyries Option and Cyries Performance Share held by the Securityholder shall be cancelled with no further force or effect, as follows:

(a) each Cyries Option with an exercise price per CCo. Share below the Weighted Average Trading Price shall be cancelled in exchange for the payment by Cyries of an amount equal to the Weighted Average Trading Price less the applicable exercise price and less any applicable withholdings as required by law, which payment shall paid at the Effective Time;

(b) each Cyries Option with an exercise price per CCo. Share above the Weighted Average Trading Price shall be cancelled in exchange for the payment by Cyries of an amount equal to $0.01, which payment shall paid at the Effective Time; and

(c) each Cyries Performance Share shall be converted into CCo. Shares immediately prior to the Effective Time in accordance with the rights privileges, restrictions and conditions attached to the Cyries Performance Shares as set forth in the articles of Cyries.

3. Representations and Warranties of the Securityholder

The Securityholder covenants, represents and warrants to Iteration, as of the date of this Agreement and on the Effective Date, that:

(a) the Securityholder is duly authorized to execute and deliver this Agreement and this Agreement is a valid and binding agreement, enforceable against the Securityholder in accordance with its terms;

(b) neither the execution of this Agreement by the Securityholder nor the completion by the Securityholder of the transactions contemplated hereby will constitute a material violation of or material default under, or conflict with, any contract, commitment, agreement, understanding, arrangement or restriction of any kind to which the Securityholder will be a party or by which it will be bound at the time of such completion;

(c) the Securityholder is the beneficial owner of or exercises control or direction over the Subject Securities or otherwise has the authority to enter into this Agreement and carry out the transactions contemplated hereby;

(d) the Securityholder's interest in the Subject Securities is free and clear of all claims, liens, charges, encumbrances and security interests, other than those arising by operation of statute;

(e) the transfer of the Subject Securities pursuant to the Arrangement will pass good and marketable title to such securities, free and clear of all liens; charges, security interests, adverse claims, encumbrances and demands of any nature or kind whatsoever;

(f) no person has any agreement, option, right or privilege capable of becoming an agreement, option, right or privilege, for the purchase or acquisition of any of the Subject Securities except for a person who has also signed an agreement in the same form as this Agreement; and

(g) the Subject Securities include all of the securities of Cyries beneficially owned by the Securityholder or over which the Securityholder exercises control or direction.

4. Representations of Iteration

Iteration hereby represents and warrants to the Securityholder, as of the date of this Agreement and on the Effective Date, that:

(a) Iteration is duly authorized to execute and deliver this Agreement and this Agreement is a valid and binding agreement, enforceable against Iteration in accordance with its terms; and

(b) neither the execution of this Agreement nor the consummation by Iteration of the transactions contemplated hereby will constitute a material violation of or material default under, or conflict with any contract, commitment, agreement understanding, arrangement or restriction of any kind to which Iteration is a party or by which Iteration is bound.

5. Termination

It is understood and agreed that the respective rights and obligations hereunder of the Securityholder and Iteration shall cease and this Agreement shall terminate:

(a) on the Effective Date;

(b) on the date the Arrangement Agreement is terminated; or

(c) on March 11, 2008, if the Arrangement has not been completed by that date (or such later date as Iteration and Cyries may jointly specify).

The obligations of the parties pursuant to Sections 5, 6, 11 and 13 shall survive the termination of this Agreement.

6. Expenses

Each party hereto agrees to pay its own expenses incurred in connection with this Agreement.

7. Disclosure

The Securityholder shall not disclose the existence of this Agreement, or any details hereof, to any person other than Iteration, its directors and officers and advisors, without the prior written consent of Iteration, except to the extent required by law. The existence and terms and conditions of this Agreement may be disclosed by Iteration or Cyries in the news release issued in connection with the execution of the Arrangement Agreement and the Information Circular.

8. Entire Agreement and Amendments

Except as expressly set forth herein, this Agreement constitutes the whole of the agreement between the parties with respect to the subject matter of this Agreement and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

9. Time

Time shall be of the essence of this Agreement.

10. Successors and Assigns

This Agreement shall be binding upon, enure to the benefit of and be enforceable by the Securityholder, Iteration and their respective successors. This Agreement may only be assigned by the Securityholder if the assignee agrees to be bound by the terms and conditions of this Agreement.

11. Remedies

The Securityholder agrees that if this Agreement is breached, damages may be an inadequate remedy, and therefore, without limiting any other remedy available at law or in equity, an injunction, restraining order, specific performance, and other forms of equitable relief for damages, or any combination thereof shall be available to Iteration.

12. Further Assurances

The Securityholder shall from time to time and at all times hereafter at the request of Iteration but without further consideration, do and perform all such further acts, matters and things and execute and deliver all such further documents, deeds, assignments, agreements, notices and writings and give such further assurances as shall be reasonably required for the purpose of giving effect to this Agreement.

13. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without regard to any conflicts of law provisions and each of the parties irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

14. Notice

Any notice or other communication required or permitted to be given hereunder shall be sufficiently given if delivered or sent by facsimile transmission:

(a) in the case of the Securityholder, to the address for notice to Cyries in the Arrangement Agreement; and

(b) in the case of Iteration to the address for notice to Iteration in the Arrangement Agreement.

or to such other address as the party to which such notice or other communication is to be given has last notified the party giving the same in the manner provided in this paragraph. Any notice or other communication given or made shall be deemed to have been duly given or made as at the date delivered or sent if delivered personally or sent by facsimile transmission at the address for service provided herein.

15. Interpretation

Words signifying the singular number shall include, whenever appropriate, the plural and vice versa; and words signifying the masculine gender shall include, whenever appropriate, the feminine or neutral gender.

16. Enforceability

If any term, condition or provision of this Agreement is determined to be void or unenforceable in whole or in part, such term, condition or provision shall be severable from all other terms, conditions and provisions hereof and shall not affect or impair the validity of any other term, conditions or provisions hereof.

17. Counterparts

This Agreement may be signed in counterparts which together shall be deemed to constitute one valid and binding agreement and delivery of such counterparts may be effected by means of telecopier.

Yours truly,

ITERATION ENERGY LTD.

By: ________________________________

ACCEPTANCE

The foregoing is hereby accepted as of January_____, 2008 and the undersigned hereby confirms that the undersigned beneficially owns, directly or indirectly, or exercises control or direction over the Subject Securities indicated below.

______________________________	______________________________
Witness	Name:
______________________________	CCo. Shares
______________________________	CCo. Warrants

SCHEDULE D

PLAN OF ARRANGEMENT
made pursuant to
Section 193 of the *Business Corporations Act* (Alberta)

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder;

(b) "**Arrangement**" means the arrangement contemplated by this Plan pursuant to Section 193 of the ABCA;

(c) "**Arrangement Agreement**" means the Arrangement Agreement between Iteration, and Cyries made as of January 20, 2008, as it may be amended;

(d) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Section 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made;

(e) "**business day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business;

(f) "**Certificate of Arrangement**" means the certificate to be issued by the Registrar pursuant to Section 193(11) of the ABCA giving effect to the Arrangement;

(g) "**Cyries**" means Cyries Energy Inc., a corporation amalgamated pursuant to the laws of the Province of Alberta;

(h) "**Cyries Securities**" means, collectively, the Cyries Shares and the Cyries Warrants;

(i) "**Cyries Securityholders**" means, collectively, the Cyries Shareholders and the Cyries Warrantholders;

(j) "**Cyries Shareholders**" means the holders of Cyries Shares;

(k) "**Cyries Shares**" means the common shares in the capital of Cyries as constituted and outstanding as of the Effective Time;

(l) "**Cyries Warrants**" means the warrants of Cyries outstanding as of the Effective Time, each entitling the holder thereof to purchase one (1) Cyries Share at an exercise price of $1.63;

(m) "**Cyries Warrantholders**" means the holders of Cyries Warrants;

(n) "**Court**" means the Court of Queen's Bench of Alberta;

(o) "**Depositary**" means a trust company as may be designated by Cyries, with the approval of Iteration, acting reasonably;

(p) "**Dissenting Securityholders**" means collectively, the Dissenting Shareholders and the Dissenting Warrantholders;

(q) "**Dissenting Shareholders**" means the Cyries Shareholders that are ultimately entitled to be paid the fair value for the Cyries Shares in respect of which they dissent in accordance with the provisions of the Interim Order and Article 4 hereof; whether by order of the Court or by acceptance of an offer made pursuant to such Interim Order;

(r) "**Dissenting Warrantholders**" means Cyries Warrantholders that are ultimately entitled to be paid the fair value for the Cyries Warrants in respect of which they dissent in accordance with the provisions of the Interim Order and Article 4 hereof; whether by order of the Court or by acceptance of an offer made pursuant to such Interim Order;

(s) "**Effective Date**" means the date shown on the Certificate of Arrangement;

(t) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar;

(u) "**Exercise Price Differential**" means, in respect of the Cyries Warrants, the amount by which the Weighted Average Trading Price exceeds the exercise price of such Cyries Warrant;

(v) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to Section 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(w) "**Iteration**" means Iteration Energy Ltd., a body corporate amalgamated under the laws of the Province of Alberta;

(x) "**Iteration Shares**" means the common shares of Iteration as constituted on the date hereof;

(y) "**Interim Order**" means an interim order of the Court concerning the Arrangement under Section 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(z) "**Letter of Transmittal**" means the letter of transmittal to be forwarded by Cyries to the Cyries Shareholders and the Cyries Warrantholders for use by such Cyries Securityholders in tendering their Cyries Shares and Cyries Warrants, as applicable, in exchange for the consideration payable pursuant to the Arrangement;

(aa) "**Meeting**" means the special meeting of the holders of the Cyries Securityholders to be called to, *inter alia*, consider and, if thought fit, authorize, approve and adopt the Arrangement in accordance with the Interim Order and any adjournments thereof;

(bb) "**Plan**" means this plan of arrangement as amended or supplemented from time to time, and "hereby", "hereof", "hereunder", "herewith" and similar terms refer to this Plan and not to any particular provision of this Plan;

(cc) "**Registrar**" means the registrar appointed pursuant to Section 263 of the ABCA;

(dd) "**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder, as amended from time to time; and

(ee) "**Weighted Average Trading Price**" shall be determined by dividing: (i) the aggregate dollar trading value of all Cyries Shares sold on the TSX over the five consecutive trading days ending on the trading day immediately preceding the day which is one business day prior to the Effective Date; by (ii) the total number of Cyries Shares sold on such stock exchange during such period.

1.2 Divisions

The division of this Plan into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan.

1.3 Article Reference

Unless the contrary intention appears, references in this Plan to an article, section, paragraph, subparagraph or schedule by number or letter or both refer to the article, section, paragraph, subparagraph or schedule bearing that designation in this Plan.

1.4 Number and Gender

In this Plan, unless the contrary intention appears, words importing the singular include the plural and vice versa; words importing gender shall include all genders; and "person" includes any individual, partnership, firm, trust, body corporate, government, governmental body, agency or instrumentality, unincorporated body of persons or association.

1.5 Date for Action

In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.

1.6 Statutory References

References in this Plan to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated there under from time to time in effect.

1.7 Currency

Unless otherwise stated, all references in this Plan to sums of money are expressed in lawful money in Canada.

ARTICLE 2
ARRANGEMENT

2.1 Binding Effect

At the Effective Time, the Plan shall be binding upon Cyries, Cyries Securityholders and Iteration Articles of Arrangement shall be filed with the Registrar with the purpose and intent that none of the provisions of the Plan shall become effective unless all of the provisions of the Plan shall have become effective.

2.2 Arrangement

At the Effective Time, each of the events set out below shall occur and be deemed to occur in the sequence set out below without further act or formality:

(a) the Cyries Shares and the Cyries Warrants held by Dissenting Securityholders who have exercised rights of dissent in respect of the Plan granted by the Interim Order which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Iteration (free of any claims or encumbrances) and be cancelled and cease to be outstanding, as of the Effective Time, and such Dissenting Securityholders shall cease to have any rights as securityholders of Cyries other than the right to be paid the fair value of their Cyries Shares or Cyries Warrants, as the case may be, by Iteration, in accordance with Article 4;

(b) each Cyries Share held by a Cyries Shareholder (other than a Cyries Share held by a Dissenting Shareholder) will be transferred to Iteration in exchange for 1.475 Iteration Shares;

(c) each Cyries Warrant held by a Cyries Warrantholder (other than a Cyries Warrant held by a Dissenting Warrantholder) will be transferred to Iteration in exchange for the number of Iteration Shares that is equal to the Exercise Price Differential divided by the Weighted Average Trading Price multiplied by 1.475;

(d) with respect to each Cyries Security transferred to Iteration:

  (i) the holders of all such Cyries Securities shall cease to be holders of such securities and such holders' names shall be removed from the register of Cyries Securities with respect to such securities; and

  (ii) Iteration shall be (and shall be deemed to be) the transferee of all Cyries Securities (free of any claims or encumbrances) and shall be entered in the register of Cyries Securities as the holder thereof as of the Effective Date; and

(e) each Iteration Share issued pursuant to the Plan shall be issued as fully paid and non-assessable shares of Iteration.

2.3 Adjustments

The exchange ratios set forth in Section 2.2 shall be adjusted on a basis acceptable to both Iteration and Cyries to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into Iteration Shares or Cyries Shares), consolidation, reorganization, recapitalization or other like change with respect to the Iteration Shares or the Cyries Shares occurring after the execution of the Arrangement Agreement and prior to the Effective Time.

ARTICLE 3
OUTSTANDING CERTIFICATES AND PAYMENTS

3.1 Outstanding Certificates

After the Effective Time, certificates formerly representing Cyries Securities shall represent only the right to receive the certificates representing the Iteration Shares which the former holder of such Cyries Securities is entitled to receive pursuant to Article 2 of this Plan, subject to compliance with the requirements of this Article.

3.2 Payment for Cyries Securities

Iteration shall (with the assistance of the Depositary), as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Cyries Securities acquired by Iteration under the Arrangement of a duly completed Letter of Transmittal and the certificates representing such Cyries Securities, either:

(a) forward or cause to be forwarded by first class mail to such former holder at the address specified in the Letter of Transmittal; or

(b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder,

certificates representing the number of Iteration Shares issued to such holder under the Arrangement.

3.3 Entitlement

The former holders of Cyries Securities shall not be entitled to any interest, dividend, premium or other payment on or with respect to the Cyries Securities other than the Iteration Shares, and the certificates representing the Iteration Shares which they are entitled to receive pursuant to this Plan, subject to Section 3.8.

3.4 No Fractional Iteration Shares

No fractional Iteration Shares shall be issued and any holder of Cyries Securities who would otherwise be entitled to receive a fractional Iteration Share will receive the nearest whole Iteration Share (with fractions equal to exactly 0.5 and above being rounded up).

3.5 Extinguishment of Rights

Any certificate formerly representing Cyries Securities that is not deposited with all other documents as provided in Section 3.2 on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and the right of the holder of such Cyries Securities to receive the Iteration Securities.

3.6 Dividends to be Held in Trust

Subject to extinguishment pursuant to Section 3.5, all dividends paid or distributions made in respect of Iteration Shares issued to a former holder for which certificates representing Iteration Shares has not been delivered to such holder in accordance with Section 3.2 shall be held in trust by Iteration for such holder for delivery to the holder, net of all withholding and other taxes, upon delivery of the certificate in accordance with Section 3.2. The obligation of Iteration to hold such amounts in trust shall terminate at the same time as the termination of the obligation to issue Iteration Shares pursuant to Section 3.5.

3.7 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Cyries Securities shall have been lost, stolen or destroyed, upon the execution and delivery of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue to the registered holder of such lost, stolen or destroyed certificate, any consideration pursuant to Section 2.2 (and any dividends or distributions with respect thereto pursuant to Section 3.6) in each case deliverable in accordance with the instruction set forth in the Letter of Transmittal completed by such holder. When authorizing such payment to the registered holder of any lost, stolen or destroyed certificate, the person to whom consideration is to be issued shall, as a condition precedent to the payment and/or issuance thereof, give a bond satisfactory to Cyries or personal indemnity to Cyries with respect to the certificate alleged to have been lost, stolen or destroyed.

3.8 Withholding Rights

Iteration and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any Cyries Securityholders such amounts as Iteration or the Depositary determines, acting reasonably, are required or permitted pursuant to the Tax Act or any successor provision thereto to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986, or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Cyries Securityholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or permitted to be deducted or withheld from any payment to a Cyries Securityholder exceeds the cash portion (if any) of the consideration otherwise payable to the Cyries Securityholder, Iteration and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Iteration or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Iteration or the Depositary shall notify the Cyries Securityholder thereof and remit any unapplied balance of the net proceeds of such sale.

3.9 Section 85 Election

A Cyries Warrantholder who has exchanged Cyries Warrants under Section 2.2(c) for Iteration Shares other than any such Cyries Warrantholders who are exempt from tax under Part I of the Tax Act shall be entitled to make an income tax election pursuant to subsection 85(1) or 85(2) of the Tax Act as applicable (and the analogous provisions of provincial income tax law) with respect to the exchange by the holder of Cyries Warrants for Iteration Shares, by providing two signed copies of the necessary election forms to Iteration within 90 days following the Effective Date, duly completed with the details of the number of Cyries Warrants transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, the election forms will be signed and returned to such former Cyries Warrantholders within 45 days after the receipt thereof by Iteration for filing with the Canada Revenue Agency (and any applicable provincial taxing authority). Iteration will not be responsible for the proper completion and filing of any election form and, except for the obligation of Iteration to so sign and return election forms which are received by Iteration within 90 days following the Effective Date, Iteration will not be responsible for any taxes, interest or penalties resulting from the failure by a former Cyries Warrantholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, Iteration may choose to sign and return an election form received by it more than 90 days following the Effective Date, but Iteration will have no obligation to do so.

ARTICLE 4
DISSENTING SECURITYHOLDERS

4.1 Dissent Rights

Holders of Cyries Securities who have given a demand for payment which remains outstanding on the Effective Date in accordance with the rights of dissent in respect of the Plan granted by the Interim Order and who:

(a) are ultimately entitled to be paid the fair value by Iteration for the Cyries Securities in respect of which they dissent in accordance with the provisions of such Interim Order, whether by order of the Court or by acceptance of an offer made pursuant to such Interim Order, shall be deemed to have transferred such Cyries Securities to Iteration on the Effective Date and such securities shall be deemed to no longer be issued and outstanding as of the Effective Date; or

(b) are ultimately not so entitled to be paid the fair value by Iteration for the Cyries Securities in respect of which they dissent, shall not be, or be reinstated as, Cyries Securityholders but for purposes of receipt of consideration shall be treated as if they had participated in this Plan on the same basis as a non-dissenting holder of Cyries Securities and accordingly shall be entitled to receive the Iteration Shares as non-dissenting holders are entitled to receive on the basis set forth in Article 2 of this Plan,

but in no case shall Iteration or Cyries be required to recognize such holders of Cyries Securities as securityholders of Cyries after the Effective Date.

4.2 Effect of Voting

A Cyries Securityholder is not entitled to exercise rights of dissent in respect of the Plan granted by the Interim Order with respect to such Cyries Securities if such Cyries Securityholder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder to vote) in favour of the Arrangement.

ARTICLE 5
AMENDMENTS

5.1 Amendments

Cyries reserves the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be set out in writing, approved by Iteration in its sole discretion, filed with the Court (if made after the granting of the Interim Order), approved by the Court (if made following the Meeting) and communicated to the Cyries Securityholders if and as required by the Court.

5.2 Notice of Amendments

Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Cyries at any time prior to the Meeting with or without any other prior notice or communication and if so proposed, if approved by Iteration in its sole discretion, and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order) shall become part of this Plan of Arrangement.

5.3 Amendment after the Effective Date

Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Iteration, provided that it concerns a matter which, in the reasonable opinion of Iteration, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any holder of Iteration Shares.

ARTICLE 6
ADDITIONAL STEPS

6.1 Additional Steps

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

6.2 Agreement Not to Implement

Subject to the terms of the Arrangement Agreement, Iteration and Cyries may agree not to implement the Plan, notwithstanding the approval of the resolution authorizing the Arrangement and the receipt of the Final Order.