

## AMALGAMATION AGREEMENT

THIS AGREEMENT dated as of the 30<sup>th</sup> day of August, 2005.

AMONG:

**TRIOIL LTD.**, a body corporate, incorporated under the laws of the Province of Alberta (“**TriOil**”)

AND

**YANGARRA RESOURCES INC.**, a body corporate, incorporated under the laws of the Province of Alberta (“**Yangarra**”)

WHEREAS:

- (a) TriOil and Yangarra wish to amalgamate and continue as one corporation to be known as “Yangarra Resources Inc.” in accordance with the terms and conditions hereof;
- (b) the Parties intend to carry out the transactions herein contemplated by way of Amalgamation under the provisions of the Act; and
- (c) the Parties wish to provide for the matters referred to in the foregoing recitals and for other matters relating to the transactions contemplated by this Agreement.

NOW THEREFORE IN CONSIDERATION OF THE COVENANTS AND AGREEMENTS CONTAINED IN THIS AGREEMENT, THE PARTIES AGREE AS FOLLOWS:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following defined terms have the meanings hereinafter set forth:

- (a) “**Act**” means the *Business Corporations Act*, R.S.A. 2000, c. B-9 as from time to time amended or re-enacted;
- (b) “**affiliate**” has the meaning ascribed thereto in the Act;
- (c) “**Agreement**” means and refers to this Amalgamation Agreement and as the same may be amended, modified or supplemented at any time or from time to time;
- (d) “**Amalco**” means the amalgamated corporation resulting from the amalgamation of TriOil and Yangarra, which will carry on business under the new name “Yangarra Resources Ltd.”;
- (e) “**Amalco Shares**” means the common shares in the capital of Amalco;
- (f) “**Amalco Stock Option Plan**” means the existing stock option plan of Yangarra.

- (g) **“Amalco TriOil Replacement Agent’s Options”** means the 137,049 agent’s options of Amalco to be issued pursuant to the Amalgamation in replacement for the 137,049 outstanding TriOil Agent’s Options, as adjusted for any exercise after the date hereof, if any, each entitling the holder to acquire one Amalco Share at a price of \$0.65 per share until November 17, 2005;
- (h) **“Amalco TriOil Replacement Options”** means the 1,795,000 stock options of Amalco to be issued pursuant to the Amalgamation in replacement for the 1,795,000 outstanding TriOil Options, as adjusted for any exercise after the date hereof, if any, each entitling the holder to acquire one Amalco Share at prices ranging from \$0.55 to \$0.65 per share until expiry dates ranging from September 28, 2009 to November 16, 2009, in accordance with their terms;
- (i) **“Amalco Warrants”** means the 1,191,662 warrants of Amalco issued in exchange for the TriOil Warrants, each of which will entitle the holder to purchase one Amalco Share for \$0.90 per share until March 4, 2006;
- (j) **“Amalco Yangarra Replacement Options”** means the 2,610,600 stock options of Amalco to be issued pursuant to the Amalgamation in replacement for the 2,748,000 outstanding Yangarra Options, as adjusted for any exercise after the date hereof, if any, each entitling the holder to acquire one Amalco Share at prices ranging from \$0.21 to \$1.05 per share until expiry dates ranging from August 18, 2007 to February 22, 2010, in accordance with their terms;
- (k) **“Amalgamation”** means an amalgamation under the provisions of the Act, on the terms and conditions set forth in this Agreement;
- (l) **“Applicable Securities Laws”** means the “securities legislation” and the “securities directions” (as defined in National Instrument 14-101) of the Provinces of British Columbia, Alberta and Ontario;
- (m) **“Articles of Amalgamation”** means the articles of amalgamation set forth in Exhibit A together with such other changes or amendments thereto as are permitted hereby or otherwise agreed to by TriOil and Yangarra;
- (n) **“Assessment”** has the meaning ascribed thereto in Section 6.1(a)(viii);
- (o) **“Business Day”** means a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are not generally open for business;
- (p) **“Certificate”** means a certificate of amalgamation in respect of Amalco issued by the Registrar pursuant to the Act;
- (q) **“Closing Time”** means 2:00 p.m. (Calgary time) on the date of the Meetings unless otherwise agreed by TriOil and Yangarra;
- (r) **“Confidentiality Agreement”** means the confidentiality agreement between TriOil and Yangarra dated July 7, 2005 in respect of information relating to each other;
- (s) **“Court”** means the Court of Queen’s Bench of Alberta;
- (t) **“Depositary”** means CIBC Mellon Trust Company, or such other trust company as may be appointed by TriOil and Yangarra;

- (u) **“Dissenting Shareholders”** means the Yangarra Shareholders or the TriOil Shareholders, as the case may be, who exercise the rights of dissent available to such holders in respect of the special resolution to be placed before the Yangarra Shareholders and the TriOil Shareholders at the Yangarra Meeting and the TriOil Meeting, respectively, to approve the Amalgamation;
- (v) **“Effective Date”** means the effective date of the Amalgamation as set forth in the Certificate;
- (w) **“Exchange”** means the TSX Venture Exchange Inc.;
- (x) **“Information Circular”** means the joint management proxy circular of Yangarra and TriOil relating to the Meetings to be forwarded by Yangarra to the Yangarra Shareholders and by TriOil to the TriOil Shareholders in connection with the transactions contemplated in this Agreement;
- (y) **“Material Adverse Change”** or **“Material Adverse Effect”** means, when used in connection with a Party, any change or effect (or any condition, event or development involving a prospective change or effect) in or on the business, operations, results of operations, assets, capitalization, financial condition, licences, permits, concessions, rights or liabilities, whether contractual or otherwise, of Yangarra or TriOil, as the case may be, which is materially adverse to the business, operations or financial condition of Yangarra or TriOil, as the case may be, taken as a whole, other than a change or effect (i) which arises out of a matter that has been publicly disclosed or otherwise disclosed in writing by Yangarra or TriOil, as the case may be, to the other prior to the date hereof; (ii) resulting from conditions affecting the oil and gas industry as a whole; or (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions (including without limitation the prices of crude oil and natural gas) in Canada, the United States and elsewhere;
- (z) **“Meetings”** means, collectively, the TriOil Meeting and the Yangarra Meeting;
- (aa) **“Parties”** means the parties to this Agreement and **“Party”** means any one of them;
- (bb) **“Permitted Encumbrances”** has the meaning ascribed thereto in Section 7.2(n) hereof;
- (cc) **“Public Record”** means all documents and information filed by or on behalf of a party with the Securities Commissions and the Exchange, including without limitation, the Financial Statements, in compliance, or intended compliance, with any Applicable Securities Laws;
- (dd) **“Registrar”** means the Registrar appointed pursuant to Section 263 of the Act;
- (ee) **“Securities Commissions”** means the Alberta Securities Commission, British Columbia Securities Commission and the Ontario Securities Commission;
- (ff) **“subsidiary”** has the meaning ascribed thereto in the Act;
- (gg) **“TriOil Acquisition Proposal”** has the meaning ascribed thereto in Section 6.4(b)(i);
- (hh) **“TriOil Agent’s Options”** means the 137,049 outstanding agent’s options of TriOil, as adjusted for any exercise after the date hereof, if any, each entitling the holder to acquire one TriOil Share at a price of \$0.65 per share until November 17, 2005;
- (ii) **“TriOil Fairness Opinion”** means the opinion of Woodstone Capital Inc., the financial advisor to TriOil and the TriOil Special Committee, that the consideration offered under the

Amalgamation and the share exchange ratio is fair, from a financial point of view, to the TriOil Shareholders;

- (jj) **“TriOil Financial Statements”** means the audited financial statements of TriOil as at and for the years ended December 31, 2004, 2003 and 2002, together with the notes thereto and the report of the auditors thereon and the unaudited financial statements of TriOil as at and for the six months ended June 30, 2005;
- (kk) **“TriOil Information”** means the information provided by TriOil and included in the Information Circular;
- (ll) **“TriOil Lock-Up Agreements”** means agreements in the form attached to this Agreement as Exhibit C between Yangarra and the TriOil Lock-Up Shareholders;
- (mm) **“TriOil Lock-Up Shareholders”** means those TriOil Shareholders and holders of TriOil Options and TriOil Warrants that have entered into TriOil Lock-Up Agreements with Yangarra;
- (nn) **“TriOil Meeting”** means the special meeting of TriOil Shareholders convened to consider and, if deemed advisable, approve the Amalgamation;
- (oo) **“TriOil Options”** means the 1,795,000 outstanding stock options of TriOil, as adjusted for any exercise after the date hereof, if any, each entitling the holder to purchase one TriOil Share at prices ranging from \$0.55 to \$0.65 per share until expiry dates ranging from September 28, 2009 to November 16, 2009, in accordance with their terms;
- (pp) **“TriOil Shareholders”** means holders of TriOil Shares;
- (qq) **“TriOil Shares”** means the common shares in the capital of TriOil;
- (rr) **“TriOil Special Committee”** means the special committee of the Board of Directors of TriOil formed to, among other things, consider and recommend to TriOil’s Board of Directors, the terms of the Amalgamation, consisting of Robert M. Libin;
- (ss) **“TriOil Superior Proposal”** has the meaning ascribed thereto in Section 6.4(b)(A) hereto;
- (tt) **“TriOil Termination Fee”** has the meaning ascribed thereto in Section 9.3 hereof;
- (uu) **“TriOil Warrants”** means the 1,191,662 previously issued share purchase warrants of TriOil, each of which entitles the holder to purchase one TriOil Share at an exercise price of \$0.50 per share until March 4, 2006;
- (vv) **“Yangarra Acquisition Proposal”** has the meaning ascribed thereto in Section 6.2(b)(i);
- (ww) **“Yangarra Fairness Opinion”** means the opinion of Raymond James Ltd., the financial advisor to Yangarra and the Yangarra Special Committee, that the consideration offered under the Amalgamation and the share exchange ratio is fair, from a financial point of view, to the Yangarra Shareholders;
- (xx) **“Yangarra Financial Statements”** means the audited financial statements of Yangarra as at and for the years ended December 31, 2004, 2003 and 2002, together with the notes thereto and the

report of the auditors thereon and the unaudited financial statements of Yangarra as at and for the six months ended June 30, 2005;

- (yy) **“Yangarra Information”** means the information provided by Yangarra and included in the Information Circular;
- (zz) **“Yangarra Lock-Up Agreements”** means agreements in the form attached to this Agreement as Exhibit B between TriOil and the Yangarra Lock-Up Shareholders;
- (aaa) **“Yangarra Lock-Up Shareholders”** means those Yangarra Shareholders and holders of Yangarra Options that have entered into Yangarra Lock-Up Agreements with TriOil;
- (bbb) **“Yangarra Meeting”** means the special meeting of Yangarra Shareholders convened to consider and, if deemed advisable, approve the Amalgamation;
- (ccc) **“Yangarra Options”** means the 2,748,000 outstanding stock options of Yangarra, as adjusted for any exercise after the date hereof, if any, each entitling the holder to purchase one Yangarra Share at prices ranging from \$0.20 to \$1.00 per share until expiry dates ranging from August 18, 2007 to February 22, 2010, in accordance with their terms;
- (ddd) **“Yangarra Shareholders”** means holders of issued and outstanding Yangarra Shares;
- (eee) **“Yangarra Shares”** means the common shares in the capital of Yangarra;
- (fff) **“Yangarra Special Committee”** means the special committee of the Board of Directors of Yangarra formed to, among other things, consider and recommend to Yangarra’s Board of Directors, the terms of the Amalgamation consisting of Gordon A. Bowerman;
- (ggg) **“Yangarra Superior Proposal”** has the meaning ascribed thereto in Section 6.2(b)(A) hereto; and
- (hhh) **“Yangarra Termination Fee”** has the meaning ascribed thereto in Section 9.1 hereof.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein”, “hereby” and “hereunder” and similar expressions refer to this Agreement and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

## **1.3 Number, Gender and Entities**

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and corporations and vice versa.

## **1.4 Date for Any Action**

If any date on which an action is required to be taken hereunder by any of the Parties is not a Business Day in the place where an action is required to be taken, such action may be taken on the next succeeding day that is a Business Day in such place.

## **1.5 Entire Agreement**

This Agreement and the Confidentiality Agreement, together with the agreements and documents herein and therein referred to, constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof.

## **1.6 Currency**

All sums of money that are referred to in this Agreement are, unless indicated otherwise, expressed in lawful money of Canada.

## **1.7 Disclosure in Writing**

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

## **1.8 Rounding**

In performing the various mathematical calculations required to be performed hereunder all numbers shall be rounded to the nearest five decimal places.

## **1.9 Exhibits**

The following exhibits annexed to this Agreement are incorporated by reference into this Agreement and form a part hereof:

- |           |   |                                    |
|-----------|---|------------------------------------|
| Exhibit A | - | Articles of Amalgamation           |
| Exhibit B | - | Form of Yangarra Lock-Up Agreement |
| Exhibit C | - | Form of TriOil Lock-Up Agreement   |

## **ARTICLE 2 AMALGAMATION**

### **2.1 Agreement to Amalgamate.**

TriOil and Yangarra hereby agree to amalgamate pursuant to the provisions of the Act and to continue as one corporation on the terms and conditions set forth in this Agreement.

### **2.2 Amalgamation**

At or before the Closing Time, subject to the terms and conditions of this Agreement, Yangarra and TriOil shall take all steps required to complete the Amalgamation and, without limitation, use all reasonable efforts to apply for and to obtain the approval of their respective shareholders and all other consents, orders or approvals as counsel may advise are necessary or desirable for the implementation of the Amalgamation and the filing of the Articles of Amalgamation pursuant to the Act.

### **2.3 Effect of Amalgamation.**

On the Effective Date, subject to the Act and the specific terms and provisions of this Agreement:

- (a) the amalgamation of TriOil and Yangarra and their continuance as one corporation, Amalco, under the terms and conditions prescribed in this Agreement shall be effective;
- (b) the property of each of TriOil and Yangarra shall continue to be the property of Amalco;
- (c) Amalco shall continue to be liable for the obligations of each of TriOil and Yangarra;
- (d) any existing cause of action, claim or liability to prosecution with respect to either or both of TriOil or Yangarra shall be unaffected;
- (e) any civil, criminal or administrative action or proceeding pending by or against TriOil or Yangarra may be continued to be prosecuted by or against Amalco; and
- (f) any conviction against, or ruling, order or judgment in favour of or against, TriOil or Yangarra may be enforced by or against Amalco.

### **ARTICLE 3 AMALCO**

#### **3.1 Certain provisions applicable to Amalco:**

- (a) The name of Amalco shall be “Yangarra Resources Ltd.”, subject to regulatory approval;
- (b) The registered office of Amalco shall be located at Suite 3100, Home Oil Tower, 324 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2Z2;
- (c) Amalco shall be authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares, which shall have the rights, privileges, restrictions and conditions set forth in the Articles of Amalgamation;
- (d) The minimum number of directors of Amalco shall be three (3) and the maximum number of directors of Amalco shall be fifteen (15);
- (e) There shall be no restrictions on the right to transfer any shares of Amalco as set forth in the Articles of Amalgamation; and
- (f) There shall be no restriction on the business that Amalco may carry on.

#### **3.2 Amalco Directors**

- (a) The first directors of Amalco, all of whom are resident Canadians, shall be the persons whose names and addresses appear below:

<u>Name</u>	<u>Address</u>
Gordon A. Bowerman	211 Heritage Place Calgary, AB T3Z 3P3
James G. Evaskevich	10 Patina Lane S.W. Calgary, AB T3H 3N4

<u>Name</u>	<u>Address</u>
Joseph M. Dutton	3033 Roxboro Glen Road SW Calgary, AB T2S 1T9
Robert D. Weir	87 Woodbrook Road SW Calgary, AB T2W 4M5
Douglas M. Stuve	17 Hidden Creek Park N.W. Calgary, AB T3A 6C5

- (b) The first directors of Amalco shall hold office until the first annual meeting of the shareholders of Amalco or until their successors are duly elected or appointed. The subsequent directors shall be elected each year thereafter as provided for in the Act, in the Articles of Amalgamation and in the by-laws of Amalco.

### **3.3 Certificates.**

On the Effective Date:

- (a) upon surrender to the Depository of the certificates representing the issued and outstanding TriOil Shares held by TriOil Shareholders, other than Dissenting Shareholders, together with the letter of transmittal in the form accompanying the Information Circular, the registered holders of TriOil Shares shall be entitled to receive one (1) Amalco Share for every one TriOil Shares, as set forth in Article 5 of this Agreement;
- (b) upon surrender to the Depository of the certificates representing the issued and outstanding Yangarra Shares held by Yangarra Shareholders, other than Dissenting Shareholders, together with the letter of transmittal in the form accompanying the Information Circular, the registered holders of Yangarra Shares shall be entitled to receive 0.95 Amalco Shares for every one Yangarra Share, as set forth in Article 5 of this Agreement; and
- (c) the share certificates evidencing TriOil Shares and Yangarra Shares shall cease to represent any claim upon or interest in TriOil or Yangarra or Amalco other than the right of the holder to receive Amalco Shares pursuant to the terms hereof and the Amalgamation in accordance with Article 5 hereof (or in the case of Dissenting Shareholders, the right to receive cash).

### **3.4 First Auditors**

The first auditors of Amalco shall be Meyers Norris Penny LLP, Chartered Accountants, Calgary, Alberta, who shall hold office until the first annual meeting of Amalco following the Amalgamation or until their successors are elected or appointed.

### **3.5 By-laws**

The by-laws of Amalco shall be the by-laws of Yangarra until repealed, amended or altered.

### **3.6 Stock Option Plan**

The stock option plan of Amalco shall be the Amalco Stock Option Plan, which is the current stock option plan of Yangarra.

### **3.7 Warrant Certificates**

In accordance with the terms of the TriOil Warrants, the holders of the TriOil Warrants shall receive in exchange for their TriOil Warrants certificates evidencing one Amalco Warrant for each TriOil Warrant tendered for exchange.

### **3.8 Stock Options**

In accordance with the terms of the TriOil Options and the Yangarra Options, the holders of the TriOil Options that are continuing with Amalco shall receive in exchange for their TriOil Option agreements, new agreements evidencing one Amalco TriOil Replacement Option for each TriOil Option held, and the holders of the Yangarra Options that are continuing with Amalco shall receive in exchange for their Yangarra Options, new agreements evidencing 0.95 Amalco Yangarra Replacement Options for each Yangarra Option held. Notwithstanding that holders of TriOil Options and Yangarra Options who will not be continuing with Amalco will not receive new agreements, said optionholders shall be entitled to purchase the number of Amalco Shares at the price and for the period of time following the Amalgamation as is determined by the agreements governing the terms of the TriOil Options and the Yangarra Options, respectively.

### **3.9 Agent's Options**

In accordance with the terms of the TriOil Agent's Options, the holders of the TriOil Agent's Options shall receive in exchange for their TriOil Agent's Option agreements, new agreements evidencing one Amalco TriOil Replacement Agent's Option for each TriOil Agent's Option held.

## **ARTICLE 4 ARTICLES OF AMALGAMATION**

### **4.1 Articles of Amalgamation**

TriOil and Yangarra hereby agree that the Articles of Amalgamation set for as Exhibit A hereto shall be the Articles of Amalgamation for Amalco.

### **4.2 Joint Filing**

Subject to the provisions hereof, TriOil and Yangarra will jointly file, with the Registrar, the Articles of Amalgamation of Amalco and such other documents as may be required by the Act to give effect to the Amalgamation as contemplated herein as soon as practicable and in any event on or prior to October 31, 2005, or such other date as may be agreed to by TriOil and Yangarra.

**ARTICLE 5**  
**EFFECT OF THE AMALGAMATION**

**5.1 Conversion, issuance and cancellation of securities**

Subject to Section 5.2 hereof, on the Effective Date:

- (a) each Yangarra Shareholder, other than Dissenting Shareholders and other than TriOil, shall receive 0.95 Amalco Share for each one Yangarra Share held by such Yangarra Shareholder provided, however, that no fractional shares shall be issued in this connection; rather, any Yangarra Shareholder entitled to receive 0.50 or greater of an Amalco Share shall receive one Amalco Share, while any Yangarra Shareholder entitled to receive less than 0.50 of an Amalco Share shall forfeit such interest and receive no compensation in lieu thereof; and the Yangarra Shares thus exchanged shall be cancelled without reimbursement of the capital represented by such securities;
- (b) each TriOil Shareholder, other than Dissenting Shareholders and other than Yangarra, shall receive one Amalco Share for each one TriOil Shares held by such TriOil Shareholder provided, however, that no fractional shares shall be issued in this connection; rather, any TriOil Shareholder entitled to receive 0.50 or greater of an Amalco Share shall receive one Amalco Share, while any TriOil Shareholder entitled to receive less than 0.50 of an Amalco Share shall forfeit such interest and receive no compensation in lieu thereof; and the TriOil Shares thus exchanged shall be cancelled without reimbursement of the capital represented by such securities; and
- (c) notwithstanding the provisions of this Article 5, all TriOil Shares and Yangarra Shares held by or on behalf of TriOil or Yangarra immediately prior to the Closing Time on the Effective Date and pursuant to the Amalgamation shall be cancelled without reimbursement to TriOil or Yangarra for the capital represented by such TriOil Shares or Yangarra Shares.

**5.2 Share Certificates**

On the Effective Date:

- (a) the registers of transfer for the TriOil Shares and Yangarra Shares shall be closed; and
- (b) subject to Section 5.1, the registered holders of TriOil Shares and Yangarra Shares shall cease to be holders of TriOil Shares and Yangarra Shares, respectively.

**5.3 Stated Capital**

The aggregate stated capital of Amalco shall be an amount equal to the aggregate paid up capital for purposes of the *Income Tax Act* (Canada) of TriOil and Yangarra immediately prior to such time, and such stated capital shall be allocated on an equal basis to each Amalco Share issued on the Amalgamation, or as otherwise determined by the directors of Amalco.

**ARTICLE 6  
COVENANTS**

**6.1 Covenants of Yangarra**

- (a) Yangarra covenants and agrees that from the date hereof until the Effective Date, except with the prior written consent of TriOil (which in the case of Sections 6.1(a)(iii) (A), (B), (E), (F) and (G), after consultation with TriOil shall not be unreasonably withheld) and except as otherwise expressly permitted or specifically contemplated by this Agreement:
- (i) Yangarra's business shall be conducted only in the usual and ordinary course of business consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property and shall conduct its business in accordance with previously approved capital budgets) and Yangarra shall use all commercially reasonable efforts to maintain and preserve its business organization, goodwill, assets, employees and advantageous business relationships and Yangarra shall keep TriOil apprised of all material developments relating thereto;
  - (ii) Yangarra shall not directly or indirectly do or permit to occur any of the following:
    - (A) alter or amend its constating documents as the same exist at the date of this Agreement;
    - (B) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any person;
    - (C) issue (other than the issuance of Yangarra Shares upon the exercise of currently outstanding Yangarra Options), grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Yangarra, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Yangarra;
    - (D) redeem, purchase or otherwise acquire any of its outstanding shares or other securities;
    - (E) subdivide, consolidate or reclassify any of its shares;
    - (F) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Yangarra;
    - (G) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing; or
    - (H) reorganize, amalgamate, merge or otherwise continue Yangarra with any other person, corporation, partnership or other business organization whatsoever;
  - (iii) Yangarra shall not, directly or indirectly, do any of the following (other than pursuant to commitments entered into prior to the date of this Agreement as disclosed to TriOil in writing prior to the date hereof or as reflected or reserved against in the Yangarra Financial Statements):

- (A) sell, dispose of, transfer, convey, farmout, encumber, pledge, surrender or abandon the whole or any part of its assets, except for production in the ordinary course of business, for a consideration in excess of \$100,000 individually or \$1,700,000 in the aggregate;
  - (B) expend or commit to expend more than \$100,000 individually or \$1,700,000 in the aggregate with respect to any capital or operating expense or expenses;
  - (C) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment either by purchase of shares or securities, contributions of capital, property transfer, or purchase of any property or assets of any other individual or entity, in each case having a value in excess of \$1,000,000;
  - (D) incur any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligation of any other individual or entity, or make any loans or advances, except in the ordinary course of business and in any event not in excess of \$100,000 individually or \$1,700,000 in the aggregate;
  - (E) pay, discharge or satisfy any claims, liabilities or obligations other than in the ordinary course of business and consistent with past practice and other than payment of amounts reflected or reserved against in the Yangarra Financial Statements;
  - (F) enter into any agreements for the sale of production having a term of more than 30 days or any hedges, swaps or other financial instruments or like transactions;  
or
  - (G) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (iv) except as is necessary to comply with the law or the existing provisions of any existing or proposed employment agreements or plans, programs, arrangements or other agreements in each case as disclosed to TriOil, Yangarra shall not grant any officer, director, employee or consultant 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, employees or consultants, 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, employees or consultants;
  - (v) Yangarra shall use its reasonable commercial efforts to cause its current insurance (or re-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 or re-insurance companies of nationally recognized standing 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;

- (vi) Yangarra shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to completion of the Amalgamation;
  - (vii) Yangarra shall promptly notify TriOil in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Yangarra, threatened, financial or otherwise) in the business, operations, affairs, assets, capitalization, financial condition, prospects, licences, permits, rights, privileges or liabilities, whether contractual or otherwise, of Yangarra or of any change in any representation or warranty provided by Yangarra in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and Yangarra shall in good faith discuss with TriOil any change in circumstances (actual, anticipated, contemplated, or to the knowledge of Yangarra threatened) which is of such a nature that there may be a reasonable question as to whether notice needs to be given to TriOil pursuant to this provision;
  - (viii) Yangarra will within two Business Days of Yangarra receiving any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that tax assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools (an "Assessment"), deliver to TriOil a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of Yangarra on the assumption that such Assessment is valid and binding; and
  - (ix) Yangarra will use its reasonable commercial efforts to obtain any necessary third party consents in writing, including the written consent of its lenders (if required) to the transactions contemplated hereby and provide the same to TriOil prior to mailing of the Information Circular.
- (b) Yangarra shall:
- (i) use its reasonable commercial efforts to fulfill or cause fulfillment of the conditions set forth in Sections 8.1 and 8.3 as soon as reasonably possible to the extent that the fulfillment of the same is within the control of Yangarra;
  - (ii) subject to Section 6.1(c), convene the Yangarra Meeting and distribute copies of this Agreement to Yangarra Shareholders (or a written summary thereof prepared by Yangarra in form and substance acceptable to TriOil, acting reasonably);
  - (iii) subject to Section 6.1(c), mail to the Yangarra Shareholders the Information Circular and other documentation required in connection with the Yangarra Meeting as soon as practicable and in any event on or before September 30, 2005 (or such other date that Yangarra and TriOil may agree to) and convene the Yangarra Meeting for the purpose of approving the Amalgamation as soon as practicable and in any event on or before October 31, 2005 (or such other date that Yangarra and TriOil may agree to);
  - (iv) solicit proxies to be voted at the Yangarra Meeting in favour of the Amalgamation;

- (v) provide notice to TriOil of the Yangarra Meeting and allow TriOil's representatives to attend such meeting unless such attendance is prohibited by rules governing the meeting; and
  - (vi) conduct the Yangarra Meeting in accordance with the by-laws of Yangarra and any instrument governing such meeting, as applicable, and as otherwise required by law.
- (c) Subject to compliance by TriOil with Section 6.3(h), and the receipt by Yangarra and the Yangarra Special Committee of the Yangarra Fairness Opinion, Yangarra will prepare, file and distribute to Yangarra Shareholders in a timely and expeditious manner, the Information Circular and any amendments or supplements thereto, all as required by law, in all jurisdictions where the same is required, complying in all material respects with all applicable legal requirements and, without limiting the generality of the foregoing, Yangarra will ensure that the Information Circular provides Yangarra Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and the Information Circular shall include, disclosure of the determination of the board of directors of Yangarra that the Amalgamation is fair to the Yangarra Shareholders, is in the best interests of Yangarra and the Yangarra Shareholders, and include the recommendation of the board of directors of Yangarra that the Yangarra Shareholders vote in favour of the Amalgamation. Notwithstanding the representation in Section 7.2(v) or the covenant of Yangarra in this section, prior to the completion of the Amalgamation, the board of directors of Yangarra may withdraw, modify or change the recommendation regarding the Amalgamation if, in the opinion of such board of directors, acting reasonably, having received the advice of its outside legal counsel to such effect which is reflected in minutes of the meeting of the board of directors of Yangarra (a copy of which shall be provided to TriOil), such withdrawal, modification or change is recommended to act in a manner consistent with the statutory or fiduciary duties of the Yangarra Special Committee and the board of directors of Yangarra and provided Yangarra shall have complied with the provisions of Section 9.2 and paid the Yangarra Termination Fee to TriOil in the circumstances where such fee is payable.
- (d) Except for proxies and other non-substantive communications with securityholders, Yangarra will furnish promptly to TriOil or TriOil's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Yangarra in connection with: (i) the Amalgamation; (ii) the Yangarra Meeting; (iii) any filings under applicable laws; and (iv) any dealings with regulatory agencies in connection with the transactions contemplated hereby.
- (e) Yangarra will make all necessary filings and applications under Canadian federal and provincial and United States laws and regulations required to be made on the part of Yangarra in connection with the transactions contemplated herein and shall take all commercially reasonable action necessary to be in compliance with such laws and regulations.
- (f) Yangarra will use all commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein, insofar as the accuracy of such representations and warranties constitutes a condition of closing under Section 8.3(d), are true and correct on and as of the Closing Time as if made at such time.
- (g) Yangarra shall promptly advise TriOil of the number of Yangarra Shares for which Yangarra receives notices of dissent or written objections to the Amalgamation and provide TriOil with copies of such notices and written objections.

- (h) Yangarra will provide TriOil with all relevant information relating to Yangarra and its business and property and the Yangarra Shares and Yangarra Options for inclusion in the Information Circular to enable TriOil to meet the standard referred to in Section 6.3(c) in respect of Yangarra and the Yangarra Shares.

## 6.2 Covenants of Yangarra - Other Transactions

- (a) Yangarra shall immediately cease and cause to be terminated all solicitations, initiations, encouragements, discussions or negotiations, if any, with any persons conducted before the date of this Agreement with respect to any Yangarra Acquisition Proposal and shall immediately request the return or destruction of all information provided to third parties, if any, who have entered into a confidentiality agreement with Yangarra relating to an Yangarra Acquisition Proposal and shall use all reasonable commercial efforts to ensure that such requests are honoured.
- (b) Yangarra shall not, directly or indirectly, authorize or permit any of the officers, directors or employees of Yangarra or any financial advisor, expert or other person acting on its behalf to:
- (i) **SOLICIT, INITIATE OR ENCOURAGE (INCLUDING, WITHOUT LIMITATION, BY WAY OF FURNISHING INFORMATION OR ENTERING INTO ANY FORM OF AGREEMENT, ARRANGEMENT OR UNDERSTANDING) ANY INQUIRY OR THE MAKING OF ANY PROPOSAL TO YANGARRA OR ITS SHAREHOLDERS FROM ANY PERSON WHICH CONSTITUTES, OR MAY REASONABLY BE EXPECTED TO LEAD TO (IN EITHER CASE WHETHER IN ONE TRANSACTION OR A SERIES OF TRANSACTIONS): (A) AN ACQUISITION OF ANY OF THE OUTSTANDING VOTING SHARES OF YANGARRA; (B) ANY ACQUISITION OF 25% OR MORE OF THE ASSETS OF YANGARRA; (C) AN AMALGAMATION, ARRANGEMENT, MERGER, OR CONSOLIDATION OF YANGARRA; OR (D) ANY TAKE-OVER BID, ISSUER BID, EXCHANGE OFFER, RECAPITALIZATION, LIQUIDATION, DISSOLUTION, REORGANIZATION INTO A ROYALTY TRUST OR INCOME FUND OR SIMILAR TRANSACTION INVOLVING YANGARRA OR ANY OTHER TRANSACTION, THE CONSUMMATION OF WHICH WOULD OR COULD REASONABLY BE EXPECTED TO IMPEDE, INTERFERE WITH, PREVENT OR DELAY THE AMALGAMATION OR WHICH WOULD OR COULD REASONABLY BE EXPECTED TO MATERIALLY REDUCE THE BENEFITS OF THE AMALGAMATION TO TRIOIL (ANY SUCH INQUIRY OR PROPOSAL IN RESPECT OF ANY OF THE FOREGOING BEING AN “Yangarra Acquisition Proposal”);**
  - (ii) enter into or participate in any discussions or negotiations regarding an Yangarra Acquisition Proposal, or, except in the ordinary course of business, furnish to any other person any information with respect to the business, properties, operations, prospects or conditions (financial or otherwise) of Yangarra or an Yangarra 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
  - (iii) 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 Yangarra under

confidential information agreements, including, without limitation, any “standstill provisions” thereunder;

provided, however, that notwithstanding any other provision hereof, Yangarra (and its directors, officers, employees and advisors) may engage in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, by Yangarra or any of the officers, directors or employees of Yangarra or any financial advisor, expert or other representative or agent acting on its behalf) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality agreement substantially similar to the Confidentiality Agreement, may furnish such third party with information concerning Yangarra and its business, properties and assets, in each case if, and only to the extent that:

- (A) the third party has first made a written bona fide Yangarra Acquisition Proposal in respect of which the Yangarra Special Committee has determined in good faith: (x) that funds or other consideration necessary for the Yangarra Acquisition Proposal are or are likely to be available; (y) (after consultation with its financial advisor) that such Yangarra Acquisition Proposal would, if consummated in accordance with its terms, result in a transaction financially superior for Yangarra Shareholders than the transaction contemplated by this Agreement; and (z) after receiving the advice of outside legal counsel to such effect which is reflected in minutes of the meeting of the Yangarra Special Committee (a copy of which shall be provided to TriOil), that the taking of such action is recommended for the board of directors of Yangarra to act in a manner consistent with statutory or fiduciary duties of the directors under applicable law (an “**Yangarra Superior Proposal**”); and
- (B) prior to furnishing such information to or entering into discussions or negotiations with such third party, Yangarra provides prompt notice to TriOil to the effect that it is furnishing information to or entering into discussions or negotiations with such third party together with a copy of the confidentiality agreement referenced above and if not previously provided to TriOil, copies of all information provided to such third party are provided to TriOil concurrently with the provision of such information to such third party. Yangarra shall immediately notify TriOil orally and in writing of any inquiries, offers or proposals with respect to any Yangarra Acquisition Proposal (including without limitation, the terms and conditions of any such proposal (and any amendments or changes thereto), the identity of the person making it, and if not previously provided to TriOil, copies of all information provided to such person and all other information reasonably requested by TriOil), shall keep TriOil informed of the status and details of any such inquiry, offer or proposal and answer TriOil’s questions with respect thereto.
- (c) Yangarra shall give TriOil 72 hours advance notice of any agreement (and the terms of such agreement) to be entered into with, or any information to be supplied to, any person making an inquiry, offer or proposal with respect to an Yangarra Superior Proposal and shall confirm the determination of the Yangarra Special Committee that the Yangarra Acquisition Proposal is an Yangarra Superior Proposal. For a period of 72 hours from the time that Yangarra provides notice of such Yangarra Superior Proposal to TriOil and any amendment thereto, together with the foregoing confirmation in respect of the Yangarra Special Committee’s determination, the board of directors of Yangarra and Yangarra agree not to accept, recommend or approve or enter into any agreement (an “**Yangarra Proposed Agreement**”) to implement such an Yangarra

Superior Proposal or release the party from making the Yangarra Superior Proposal from any standstill provisions. In addition, in respect of any Yangarra Superior Proposal, Yangarra shall and shall cause its financial and legal advisors to negotiate in good faith with TriOil to make such adjustments in the terms and conditions of this Agreement and the terms of the Amalgamation as would be required for the Amalgamation to offer value equal or superior to the Yangarra Superior Proposal. In the event that TriOil offers to amend this Agreement and the terms of the Amalgamation to provide equal or superior value to that provided under the Yangarra Superior Proposal within a period of 72 hours from the time that TriOil receives notice of the Yangarra Superior Proposal and a copy of the Yangarra Proposed Agreement (and any amendments thereto), Yangarra shall not enter into any Yangarra Proposed Agreement regarding the Yangarra Superior Proposal or any amendment thereof.

- (d) Yangarra shall ensure that its officers, directors, employees, financial advisors, experts and other representatives or agents are aware of the provisions of this Section 6.2 and Yangarra shall be responsible for any breach of this Section 6.2 by such persons.
- (e) TriOil agrees that all information provided to TriOil pursuant to Section 6.2(b)(B) hereof shall be treated as if it were "Confidential Information", as that term is defined in the Confidentiality Agreement and shall not be disclosed, except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.

### **6.3 Covenants of TriOil**

- (a) TriOil covenants and agrees that from the date hereof until the Effective Date, except with the prior written consent of Yangarra (which in the case of Sections 6.3(a)(iii) (A), (B), (E), (F) and (G), after consultation with Yangarra shall not be unreasonably withheld) and except as otherwise expressly permitted or specifically contemplated by this Agreement:
  - (i) TriOil's business shall be conducted only in the usual and ordinary course of business consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property and shall conduct its business in accordance with previously approved capital budgets) and TriOil shall use all commercially reasonable efforts to maintain and preserve its business organization, goodwill, assets, employees and advantageous business relationships and TriOil shall keep Yangarra apprised of all material developments relating thereto;
  - (ii) TriOil shall not directly or indirectly do or permit to occur any of the following:
    - (A) alter or amend its constating documents as the same exist at the date of this Agreement;
    - (B) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any person;
    - (C) issue (other than the issuance of TriOil Shares upon the exercise of the currently outstanding TriOil Options, TriOil Agent's Options or TriOil Warrants) grant, sell or pledge or agree to issue, grant, sell or pledge any shares of TriOil, or

securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of TriOil;

- (D) redeem, purchase or otherwise acquire any of its outstanding shares or other securities;
  - (E) subdivide, consolidate or reclassify any of its shares;
  - (F) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of TriOil;
  - (G) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing; or
  - (H) reorganize, amalgamate, merge or otherwise continue TriOil with any other person, corporation, partnership or other business organization whatsoever;
- (iii) **TRIOIL SHALL NOT, DIRECTLY OR INDIRECTLY, DO ANY OF THE FOLLOWING (OTHER THAN PURSUANT TO COMMITMENTS ENTERED INTO PRIOR TO THE DATE OF THIS AGREEMENT AS DISCLOSED TO YANGARRA IN WRITING OR AS REFLECTED OR RESERVED AGAINST IN THE TRIOIL FINANCIAL STATEMENTS) :**
- (A) sell, dispose of, transfer, convey, farmout, encumber, pledge, surrender or abandon the whole or any part of its assets, except for production in the ordinary course of business, for a consideration in excess of \$100,000 individually or \$1,000,000 in the aggregate;
  - (B) expend or commit to expend more than \$100,000 individually or \$1,700,000 in the aggregate with respect to any capital or operating expense or expenses;
  - (C) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment either by purchase of shares or securities, contributions of capital, property transfer, or purchase of any property or assets of any other individual or entity, in each case having a value in excess of \$1,000,000;
  - (D) incur any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligation of any other individual or entity, or make any loans or advances, except in the ordinary course of business and in any event, not in excess of \$100,000 individually or \$1,700,000 in the aggregate;
  - (E) pay, discharge or satisfy any claims, liabilities or obligations other than in the ordinary course of business and consistent with past practice and other than payment of amounts reflected or reserved against in the TriOil Financial Statements;

- (F) enter into any agreements for the sale of production having a term of more than 30 days or any hedges, swaps or other financial instruments or like transactions; or
  - (G) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (iv) except as is necessary to comply with the law or existing provisions of any existing or proposed employment agreements or plans, programs, arrangements or other agreements in each case as disclosed to Yangarra, TriOil shall not grant any officer, director, employee or consultant 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, employees or consultants, 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, employees or consultants;
  - (v) TriOil shall use its reasonable commercial efforts to cause its current insurance (or re-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 or re-insurance companies of nationally recognized standing 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;
  - (vi) TriOil shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to completion of the Amalgamation;
  - (vii) TriOil shall promptly notify Yangarra in writing of any material change (actual, anticipated, contemplated or, to the knowledge of TriOil threatened, financial or otherwise) in the business, operations, affairs, assets, capitalization, financial condition, prospects, licences, permits, rights, privileges or liabilities, whether contractual or otherwise, of TriOil or of any change in any representation or warranty provided by TriOil in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and TriOil shall in good faith discuss with Yangarra any change in circumstances (actual, anticipated, contemplated, or to the knowledge of TriOil threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Yangarra pursuant to this provision;
  - (viii) TriOil will, within two Business Days of TriOil receiving any Assessment, deliver to Yangarra a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of TriOil, on the assumption that such Assessment is valid and binding; and
  - (ix) TriOil will use its reasonable commercial efforts to obtain any necessary third party consents in writing, including the written consent of its lenders (if required) to the transactions contemplated hereby and provide the same to Yangarra prior to mailing of the Information Circular.

- (b) TriOil shall:
- (i) use its reasonable commercial efforts to fulfill or cause fulfillment of the conditions set forth in Sections 8.1 and 8.2 as soon as reasonably possible to the extent that the fulfillment of the same is within the control of TriOil;
  - (ii) subject to Section 6.3(c), convene the TriOil Meeting and distribute copies of this Agreement to TriOil Shareholders (or a written summary thereof prepared by TriOil in form and substance acceptable to Yangarra, acting reasonably);
  - (iii) subject to Section 6.3(c), mail to the TriOil Shareholders the Information Circular and other documentation required in connection with the TriOil Meeting as soon as practicable and in any event on or before September 30, 2005 (or such other date that TriOil and Yangarra may agree to) and convene the TriOil Meeting for the purpose of approving the Amalgamation as soon as practicable and in any event on or before October 31, 2005 (or such other date that TriOil and Yangarra may agree to);
  - (iv) solicit proxies to be voted at the TriOil Meeting in favour of the Amalgamation;
  - (v) provide notice to Yangarra of the TriOil Meeting and allow Yangarra's representatives to attend such meeting unless such attendance is prohibited by rules governing the meeting; and
  - (vi) conduct the TriOil Meeting in accordance with the by-laws of TriOil and any instrument governing such meeting, as applicable, and as otherwise required by law.
- (c) Subject to compliance by Yangarra with Section 6.1(h) and the receipt by TriOil and the TriOil Special Committee of the TriOil Fairness Opinion, TriOil will prepare, file and distribute to TriOil Shareholders in a timely and expeditious manner, the Information Circular and any amendments or supplements thereto, all as required by law, in all jurisdictions where the same is required, complying in all material respects with all applicable legal requirements and, without limiting the generality of the foregoing, TriOil will ensure that the Information Circular provides TriOil Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them and shall include disclosure of the determination of the board of directors of TriOil that the Amalgamation is fair to the TriOil Shareholders, is in the best interests of TriOil and the TriOil Shareholders, and include the recommendation of the board of directors of TriOil that the TriOil Shareholders vote in favour of the Amalgamation. Notwithstanding the representation in Section 7.3(v) or the covenants in this section, prior to the completion of the Amalgamation, the board of directors of TriOil may withdraw, modify or change the recommendation regarding the Amalgamation if in the opinion of such board of directors, acting reasonably, having received the advice of its outside legal counsel to such effect which is reflected in minutes of the meeting of the board of directors of TriOil (a copy of which shall be provided to Yangarra), such withdrawal, modification or change is recommended to act in a manner consistent with statutory or fiduciary duties of the TriOil Special Committee and the board of directors of TriOil and provided TriOil shall have complied with the provisions of Section 9.4 and paid the TriOil Termination Fee to Yangarra in the circumstances where such fee is payable.
- (d) Except for proxies and other non-substantive communications with securityholders, TriOil will furnish promptly to Yangarra or Yangarra's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by TriOil in connection with (i) the Amalgamation;

(ii) the TriOil Meeting; (iii) any filings under applicable laws; and (iv) any dealings with regulatory agencies in connection with the transactions contemplated hereby.

- (e) TriOil will make all necessary filings and applications under Canadian federal and provincial and United States laws and regulations required to be made on the part of TriOil in connection with the transactions contemplated herein and take all commercially reasonable action necessary to be in compliance with such laws and regulations.
- (f) TriOil will use all reasonable commercial efforts to conduct its affairs so that all of its representations and warranties contained herein, insofar as the accuracy of such representations and warranties constitutes a condition of closing under Section 8.2(d), are true and correct on and as of the Closing Time as if made at such time.
- (g) TriOil shall promptly advise Yangarra of the number of TriOil Shares for which TriOil receives notices of dissent or written objections to the Amalgamation and provide Yangarra with copies of such notices and written objections.
- (h) TriOil will provide Yangarra with all relevant information relating to TriOil and its business and property and the TriOil Shares for inclusion in the Information Circular to enable Yangarra to meet the standard referred to in Section 6.1(c) in respect of TriOil and the TriOil Shares.

#### **6.4 Covenants of TriOil - Other Transactions**

- (a) TriOil shall immediately cease and cause to be terminated all solicitations, initiations, encouragements, discussions or negotiations, if any, with any persons conducted before the date of this Agreement with respect to any TriOil Acquisition Proposal and shall immediately request the return or destruction of all information provided to third parties, if any, who have entered into a confidentiality agreement with TriOil relating to a TriOil Acquisition Proposal and shall use all reasonable commercial efforts to ensure that such requests are honoured.
- (b) TriOil shall not, directly or indirectly, authorize or permit any of the officers, directors or employees of TriOil or any financial advisor, expert or other person acting on its behalf to:
  - (i) **SOLICIT, INITIATE OR ENCOURAGE (INCLUDING, WITHOUT LIMITATION, BY WAY OF FURNISHING INFORMATION OR ENTERING INTO ANY FORM OF AGREEMENT, ARRANGEMENT OR UNDERSTANDING) ANY INQUIRY OR THE MAKING OF ANY PROPOSAL TO TRIOIL OR ITS SHAREHOLDERS FROM ANY PERSON WHICH CONSTITUTES, OR MAY REASONABLY BE EXPECTED TO LEAD TO (IN EITHER CASE WHETHER IN ONE TRANSACTION OR A SERIES OF TRANSACTIONS): (A) AN ACQUISITION OF ANY OF THE OUTSTANDING VOTING SHARES OF TRIOIL; (B) ANY ACQUISITION OF 25% OR MORE OF THE ASSETS OF TRIOIL; (C) AN AMALGAMATION, ARRANGEMENT, MERGER, OR CONSOLIDATION OF TRIOIL; OR (D) ANY TAKE-OVER BID, ISSUER BID, EXCHANGE OFFER, RECAPITALIZATION, LIQUIDATION, DISSOLUTION, REORGANIZATION INTO A ROYALTY TRUST OR INCOME FUND OR SIMILAR TRANSACTION INVOLVING TRIOIL OR ANY OTHER TRANSACTION, THE CONSUMMATION OF WHICH WOULD OR COULD REASONABLY BE EXPECTED TO IMPEDE, INTERFERE WITH, PREVENT OR DELAY THE AMALGAMATION OR WHICH WOULD OR COULD REASONABLY BE EXPECTED TO MATERIALLY REDUCE THE BENEFITS**

**OF THE AMALGAMATION TO YANGARRA (ANY SUCH INQUIRY OR PROPOSAL IN RESPECT OF ANY OF THE FOREGOING BEING A “TriOil Acquisition Proposal”);**

- (ii) enter into or participate in any discussions or negotiations regarding a TriOil Acquisition Proposal, or, except in the ordinary course of business, furnish to any other person any information with respect to the business, properties, operations, prospects or conditions (financial or otherwise) of a TriOil 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
- (iii) 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 TriOil under confidential information agreements, including, without limitation, any “standstill provisions” thereunder;

provided, however, that notwithstanding any other provision hereof, TriOil (and its directors, officers, employees and advisors) may engage in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, by TriOil or any of the officers, directors or employees of TriOil or any financial advisor, expert or other representative or agent acting on its behalf) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality agreement substantially similar to the Confidentiality Agreement, may furnish such third party with information concerning TriOil and its business, properties and assets, in each case if, and only to the extent that:

- (A) the third party has first made a written bona fide TriOil Acquisition Proposal in respect of which the TriOil Special Committee has determined in good faith: (x) that funds or other consideration necessary for the TriOil Acquisition Proposal are or are likely to be available; (y) (after consultation with its financial advisor) that such TriOil Acquisition Proposal would, if consummated in accordance with its terms, result in a transaction financially superior for TriOil Shareholders than the transaction contemplated by this Agreement; and (z) after receiving the advice of outside legal counsel to such effect which is reflected in minutes of the meeting of the TriOil Special Committee (a copy of which shall be provided to Yangarra), that the taking of such action is recommended for the board of directors of TriOil to act in a manner consistent with statutory or fiduciary duties of the directors under applicable law (a “**TriOil Superior Proposal**”); and
- (B) prior to furnishing such information to or entering into discussions or negotiations with such third party, TriOil provides prompt notice to Yangarra to the effect that it is furnishing information to or entering into discussions or negotiations with such third party together with a copy of the confidentiality agreement referenced above and if not previously provided to Yangarra, copies of all information provided to such third party are provided to Yangarra concurrently with the provision of such information to such third party. TriOil shall immediately notify Yangarra orally and in writing of any inquiries, offers or proposals with respect to any TriOil Acquisition Proposal (including without limitation, the terms and conditions of any such proposal (and any amendments or changes thereto), the identity of the person making it, and if not previously provided to Yangarra, copies of all information provided to such person and all

other information reasonably requested by Yangarra), shall keep Yangarra informed of the status and details of any such inquiry, offer or proposal and answer Yangarra's questions with respect thereto.

- (c) TriOil shall give Yangarra 72 hours advance notice of any agreement (and the terms of such agreement) to be entered into with, or any information to be supplied to, any person making an inquiry, offer or proposal with respect to a TriOil Superior Proposal and shall confirm the determination of the TriOil Special Committee that the TriOil Acquisition Proposal is a TriOil Superior Proposal. For a period of 72 hours from the time that TriOil provides notice of such TriOil Superior Proposal to Yangarra and any amendment thereto, together with the foregoing confirmation in respect of the TriOil Special Committee's determination, the board of directors of TriOil and TriOil agree not to accept, recommend or approve or enter into any agreement (a "**TriOil Proposed Agreement**") to implement such a TriOil Superior Proposal or release the party from making the TriOil Superior Proposal from any standstill provisions. In addition, in respect of any TriOil Superior Proposal, TriOil shall and shall cause its financial and legal advisors to negotiate in good faith with Yangarra to make such adjustments in the terms and conditions of this Agreement and the terms of the Amalgamation as would be required for the Amalgamation to offer value equal or superior to the TriOil Superior Proposal. In the event that Yangarra offers to amend this Agreement and the terms of the Amalgamation to provide equal or superior value to that provided under the TriOil Superior Proposal within a period of 72 hours from the time that Yangarra receives notice of the TriOil Superior Proposal and a copy of the TriOil Proposed Agreement (and any amendments thereto), TriOil shall not enter into any TriOil Proposed Agreement regarding the TriOil Superior Proposal or any amendment thereof.
- (d) TriOil shall ensure that its officers, directors, employees, financial advisors, experts and other representatives or agents are aware of the provisions of this Section 6.4 and TriOil shall be responsible for any breach of this Section 6.4 by such persons.
- (e) Yangarra agrees that all information provided to Yangarra pursuant to Section 6.4(b)(B) hereof shall be treated as if it were "Confidential Information", as that term is defined in the Confidentiality Agreement and shall not be disclosed, except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.

## **6.5 Mutual Covenants**

From the date hereof until the Effective Date, TriOil and Yangarra will do, take or perform or refrain from doing, taking and performing such actions and steps as may be necessary or advisable to ensure compliance with the following:

- (a) each of Yangarra and TriOil will use its reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under applicable laws and regulations to complete the Amalgamation, including using reasonable commercial efforts:
  - (i) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;

- (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any Canadian or foreign law or regulation, including without limitation the approval of the Exchange; and
- (iii) to effect all necessary registrations and filings with, and submissions of information requested by, governmental authorities required to be effected by it in connection with the Amalgamation;

and each of Yangarra and TriOil will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this Section 6.5(a) including, without limitation, continuing to provide reasonable access to information and to maintain ongoing communications as between officers of TriOil and Yangarra, subject in all cases to the Confidentiality Agreement.

- (b) TriOil and Yangarra will assist each other in the preparation of the Information Circular and provide to the other Party, in a timely and expeditious manner, all information as may be reasonably requested by a Party or is required by the Exchange or applicable law 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 legal and Exchange requirements on the date of issue thereof.
- (c) Neither Yangarra nor TriOil will effect any distributions or payments, directly or indirectly, to its shareholders, directors, officers or other persons not at arms length to it, except as contemplated herein or otherwise in the ordinary course of business.

## **ARTICLE 7 REPRESENTATIONS AND WARRANTIES**

### **7.1 Mutual Representations and Warranties**

TriOil represents and warrants to Yangarra and Yangarra represents and warrants to TriOil and each acknowledges that such other Party is relying upon such representations and warranties in connection with the matters contemplated by this Agreement that:

- (a) it has been duly incorporated and organized and is validly existing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to own or lease its property and assets and to carry on any business now conducted by it and is duly qualified to carry on business and in good standing 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 registered or in good standing would not have a Material Adverse Effect on it;
- (b) it has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (c) the execution and delivery of this Agreement by it and the completion of the transactions contemplated hereby and by the Amalgamation and the fulfillment and compliance with the terms and provisions hereof and thereof do not and will not:
  - (i) result in the breach of, or violate any term or provision of its articles, by-laws and other governing documents;

- (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, licence, permit or authority to which it is a party or by which it is bound and which is material to it, or result in the creation of any encumbrance upon any of its material assets under any such agreement or instrument, or give to others any material interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, licence, permit or authority (other than consent of its secured lenders); or
- (iii) violate or contravene any provision of any law or regulation or any judicial or administrative award, judgment or decree applicable and known to it (after due inquiry);

except to the extent that such breach, violation or contravention would not have a Material Adverse Effect on it or could not reasonably be expected to prevent or hinder the consummation of the transactions contemplated by this Agreement or the Amalgamation;

- (d) except as may have been disclosed to the other Party in writing prior to the date hereof, there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting it, at law or in equity, before or by any governmental department, commission, board, bureau, court, agency, arbitrator or instrumentality, domestic, or foreign, of any kind, nor are there any existing facts or conditions which may reasonably be expected to be a proper basis for any actions, suits, proceedings or investigations, which in any case would prevent or hinder the consummation of the transactions contemplated by this Agreement or the Amalgamation or which may reasonably be expected to have a Material Adverse Effect on it;
- (e) its corporate records and minute books are true and correct, in all material respects, and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof;
- (f) since January 1, 2005, it has:
  - (i) not amended its articles, by-laws or other governing documents; and
  - (ii) not made any change in its accounting principles and practices as theretofore applied including, without limitation, the basis upon which its assets and liabilities are recorded on its books and its earnings and profits and losses are ascertained;
- (g) it has duly and timely filed, in proper form and to the extent required, returns in respect of taxes under the *Income Tax Act* (Canada), the *Alberta Corporate Tax Act*, the income tax legislation of any other province of Canada or any foreign country having jurisdiction over its affairs, the *Petroleum and Gas Revenue Tax Act* (Canada), the *Canadian Exploration Incentive Program Act* (Canada), the *Petroleum Incentives Program Act* (Canada), the *Canadian Exploration and Development Incentive Program Act* (Canada), the *Mines and Minerals Tax Act* (Alberta) and the *Freehold Mineral Rights Tax Act* (Alberta), and similar legislation of other provinces having jurisdiction over its affairs, for all periods to and including December 31, 2004, and all taxes shown thereon and all taxes now owing have been paid and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other income tax return for any period, and all payments to any non-resident of Canada have been made in all material respects in accordance with all applicable legislation in respect of withholding tax; there are no assessments or reassessments pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority except, in the case of Yangarra, other than as disclosed in the Yangarra Financial Statements or as disclosed to TriOil, and except, in the case of TriOil, as disclosed in the TriOil Financial Statements or as disclosed to Yangarra;

it has, in respect of the periods covered by such financial statements, withheld from each payment made to any of its officers, directors, and employees and former officers, directors and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation;

- (h) all filings made by it under which it has received or is entitled to government incentives have been made in accordance, in all material respects, with all applicable legislation (except as disclosed herein) and contain no misrepresentations of a material fact or omit to state any material fact which could cause any amount previously paid or previously accrued on its accounts to be recovered or disallowed;
- (i) it is not:
  - (i) in breach or violation of any term or provision of its articles, by-laws or other governing documents;
  - (ii) in breach or violation of any term or provision of, or in default under any agreement, instrument, licence, permit or authority to which it is a party or by which it is bound and which is material to it; or
  - (iii) in violation or contravention of any provision of any law or regulation or any judicial or administrative award, judgment or decree applicable and known to it (after due inquiry);

except to the extent that such breach, violation or contravention would not have a Material Adverse Effect on it or could not reasonably be expected to prevent or hinder the consummation of the transactions contemplated by this Agreement or the Amalgamation;

- (j) it has conducted and is conducting its business in accordance with normal industry practices and, to its knowledge, in compliance in all material respects with all applicable laws and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it in each jurisdiction in which it carries on business and, to its knowledge, holds all material licences, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business, except where the failure to so conduct business or be in such compliance would not have a Material Adverse Effect on it and, to its knowledge, none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect;
- (k) it does not warrant title to its properties, but does warrant that it is not aware of any defects, failures or impairments in the title to its 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 the aggregate could have a Material Adverse Effect on it or its anticipated cash flow;
- (l) it is not aware of (after due inquiry), and has not received since January 1, 2005:
  - (i) any order or directive which relates to environmental matters and which requires any material work, repairs, construction, or capital expenditures; or
  - (ii) any demand or notice with respect to the material breach of any environmental, health or safety law applicable to it or any of its business undertakings, including, without

limitation, any regulations respecting the use, storage, treatment, transportation, or disposition of environmental contaminants;

the failure to comply with which would have a Material Adverse Effect on it;

- (m) to its knowledge, it has all material environmental and health and safety permits, licences, approvals, consents, certificates and other authorizations of any kind or nature (“**Environmental Permits**”) necessary for the ownership, operation, development, maintenance, or use of any of its respective assets and all such Environmental Permits have been obtained and maintained in effect, except to the extent failure to do so would not have a Material Adverse Effect on it;
- (n) to its knowledge, its assets and the ownership, operation, development, maintenance and use thereof are in material compliance with all environmental laws and with all terms and conditions of all Environmental Permits except where such non-compliance would not have a Material Adverse Effect on it; and
- (o) to its knowledge, all known spills or similar incidents pertaining to or affecting the business or assets of it have been reported to the appropriate governmental entity to the extent required by environmental laws except where such failure to report not would result in a Material Adverse Effect on it.

## 7.2 Additional Representations and Warranties of Yangarra

Yangarra represents and warrants to and in favour of TriOil as follows and acknowledges that TriOil is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) the authorized capital of Yangarra consists of an unlimited number of Yangarra Shares and an unlimited number of preferred shares issuable in series, of which the only outstanding shares as at the date hereof are 30,749,254 Yangarra Shares;
- (b) immediately prior to the Effective Date there shall be issued and outstanding no more than 30,749,254 Yangarra Shares (excluding any Yangarra Shares issuable on exercise of outstanding Yangarra Options) and, except for the Yangarra Options and as provided under or as a consequence of the Amalgamation, no person shall have any agreement or option or any right or privilege (whether by law, pre-emptive right, contract or otherwise) capable of becoming an agreement, option or right for the purchase, subscription, allotment or issuance of any unissued securities of Yangarra and all of the issued and outstanding Yangarra Shares have been duly authorized and validly issued as fully paid and non-assessable and all Yangarra Shares, if any, issued on exercise of any Yangarra Options will be duly authorized and validly issued as fully paid and non-assessable. No more than 2,748,000 Yangarra Shares are issuable pursuant to outstanding Yangarra Options;
- (c) the Yangarra Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada on a consistent basis with prior periods (except as stated therein) and present fairly its financial position as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended;
- (d) Yangarra has no subsidiaries and is not a party to any agreements of any nature to acquire any subsidiary, or to acquire or lease any other business, assets or operations out of the ordinary course of business;

- (e) to the best of its knowledge, after due inquiry, there are no unanimous shareholders agreements, voting trusts, escrow agreements or similar agreements (other than the Yangarra Lock-Up Agreements) among the Yangarra Shareholders relating to Yangarra or the Yangarra Shares or other securities of Yangarra;
- (f) since January 1, 2005, Yangarra has:
- (i) not suffered any Material Adverse Change nor have there been any occurrences or circumstances which have resulted or might reasonably be expected to result in a Material Adverse Change;
  - (ii) except as previously disclosed in writing to TriOil, maintained in effect salary and other compensation levels in accordance with then existing levels;
  - (iii) not declared, paid or set aside for payment any dividend or distribution of any kind in respect of any of its outstanding securities nor made any repayments of capital;
  - (iv) not entered into or committed to enter into any material agreement with a non-arm's length person (as such term is defined in the *Income Tax Act* (Canada));
  - (v) conducted its business only in the ordinary and normal course; and
  - (vi) not incurred any liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Yangarra which has been incurred other than in the ordinary and normal course;
- except as has been previously disclosed in the Public Record or as contemplated by this Agreement;
- (g) to the knowledge of Yangarra, the data and information in respect of Yangarra and its assets, reserves, liabilities, business and operations provided by Yangarra or its advisors to TriOil or its advisors was and is accurate and correct in all material respects as at the respective dates thereof and did not and does not omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof;
- (h) no securities commission or similar regulatory authority or stock exchange in Canada has issued any order which is currently outstanding preventing or suspending trading in any securities of Yangarra and, to Yangarra's knowledge, no such proceeding is pending, contemplated or threatened;
- (i) Yangarra is a reporting issuer under the Applicable Securities Laws, and, to the best of its knowledge, is not in material default of any requirement of such Applicable Securities Laws or the policies of the Exchange and the outstanding Yangarra Shares are listed and posted for trading on the Exchange;
- (j) Yangarra has, in all material respects, made all filings required under Applicable Securities Laws with the applicable securities regulatory authorities and all such filings and information and statements contained therein were true, correct and complete in all material respects and did not contain any misrepresentation (as defined in the *Securities Act* (Alberta)) as of the date of such information or statement;

- (k) other than as previously disclosed in writing to TriOil or as contemplated by this Agreement there are no material contracts or agreements which have or which might create any material obligation to Yangarra or from which it derives or could derive any material benefit which is required by Yangarra to carry on its business as now conducted by it or as is now proposed to be carried on by it, except those contracts which are in the ordinary course of business, or which are reflected in the Yangarra Financial Statements. For the purpose of this representation and warranty, contracts shall be deemed to give rise to a material obligation if they provide for expenditures by Yangarra which aggregate more than \$200,000 during the next 12 months following the date hereof;
- (l) Yangarra does not have in effect any bonus plan, commission plan, profit sharing plan, pension plan, royalty plan or arrangement or employee benefit plan for the benefit of any employees, officers, directors or shareholders of Yangarra and it is not a party to any written employment or consulting agreement, existing or proposed, with any person, except for Yangarra's stock option plan or as has been disclosed to TriOil in writing;
- (m) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by the board of directors of Yangarra and this Agreement has been duly executed by Yangarra and constitutes a valid and binding obligation enforceable against it in accordance with its terms, subject to enforceability being limited by applicable bankruptcy, insolvency, reorganization and other laws affecting the enforcement of creditors' rights generally and the discretionary nature of certain remedies (including specific performance and injunctive relief) and subject to the effectiveness of indemnities and clauses exculpating a party or persons from a liability or a duty otherwise owed which may be limited by law;
- (n) Yangarra does not warrant title to its material properties and assets, but does warrant Yangarra's material properties and assets are free and clear of all mortgages, pledges, liens, charges, burdens and encumbrances (other than those in favour of its lenders, those encumbrances incurred in the ordinary course of business and those burdens and encumbrances which do not and will not have a Material Adverse Effect on the ownership or operation of its assets and properties ("**Permitted Encumbrances**")) and other than Permitted Encumbrances, it has done no act or suffered or permitted no action to be done whereby any person has acquired or may acquire an interest in or to its material properties or assets, nor has it done any act, omitted to do any act or permitted any act to be done that may adversely affect or defeat its title to any of its material properties or assets;
- (o) Yangarra made available to Sproule Associates Limited (the "**Yangarra Engineers**") prior to issuance of the Yangarra Engineers' report in respect of Yangarra's oil and natural gas reserves effective July 31, 2005 (the "**Yangarra Reserve Report**") for the purposes of preparing the Yangarra Reserve Report, all information requested by the Yangarra Engineers and all information material to an adequate determination of Yangarra's oil and gas reserves and, to the knowledge of Yangarra, none of such information contained a misrepresentation (as defined in the *Securities Act* (Alberta)). Yangarra has no knowledge of any Material Adverse Change in any information provided to the Yangarra Engineers since the dates that such information was provided and Yangarra believes that the Yangarra Reserve Report reasonably represents the quantity and pre-tax present worth values of the oil and gas reserves of Yangarra as at July 31, 2005, based upon information available, and upon the regulatory policy applicable to the Yangarra Reserve Report, at the time the Yangarra Reserve Report was prepared and the assumptions as to commodity prices and costs contained therein and there has been no Material Adverse Change in Yangarra's oil and natural gas reserves and assets from those described in the

Yangarra Reserve Report, except as may have occurred through normal production in accordance with customary industry practice;

- (p) 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 Yangarra in respect of any properties or assets up to the date hereof and to the Effective Date have been or will be properly and fully paid and discharged;
- (q) no officer, director, employee or any other person not dealing at arm's length with Yangarra, or, to the knowledge of Yangarra, any associate or affiliate of any such person or any party owns, has or is entitled to any royalty, net profits interest, carried interest or other encumbrances or claims of any nature whatsoever which are based on production from Yangarra's properties or assets or any revenue or rights attributed thereto;
- (r) there are no material contracts or arrangements to which Yangarra is a party with any director, officer, employee or any other person not dealing at arm's length with Yangarra, or any associate or affiliate of any such director, officer, employee or any other person not dealing at arm's length with Yangarra, nor is there any material indebtedness owing by Yangarra to any such parties or by any such parties to Yangarra, other than employment agreements (existing or proposed), copies of which have previously been provided to TriOil;
- (s) Yangarra is not 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, other than in respect of outstanding flow-through obligations;
- (t) Yangarra has no obligation to incur and renounce in accordance with the *Income Tax Act* (Canada) any expenditures required to be renounced to holders of any flow-through shares issued by it, other than in connection with the issue and sale of Yangarra Shares on November 8, 2004, not more than \$300,000 of which remains to be expended as at the date hereof;
- (u) the Yangarra Information will be true, complete and accurate in all material respects and shall not contain any misrepresentation (as defined in the *Securities Act* (Alberta));
- (v) the Yangarra board of directors has endorsed the entering into of this Agreement and has approved the Amalgamation, has, based on the advice of its financial advisor and the recommendation of the Yangarra Special Committee, determined that the Amalgamation is fair to Yangarra Shareholders from a financial point of view and in the best interests of Yangarra and Yangarra Shareholders, and has resolved to recommend that Yangarra Shareholders vote in favour of the Amalgamation;
- (w) Yangarra has not waived the applicability of any "standstill" or other provision of any confidentiality agreements entered into by Yangarra;
- (x) Yangarra has not retained any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except Raymond James Ltd. which firm has been retained as Yangarra's financial advisor in connection with certain matters, including the matters contemplated by this Agreement and the preparation of the Yangarra Fairness Opinion and the fees payable to Raymond James Ltd. in the amount of \$50,000 have been disclosed to TriOil;

- (y) to the knowledge of Yangarra, Yangarra has all agreements, permits, licences, approvals, certificates and other rights and authorizations material to the conduct of Yangarra's business and to the knowledge of Yangarra, all agreements, permits, licences, approvals, certificates and other rights and authorizations possessed by Yangarra are valid and subsisting and Yangarra is not in material default under any such agreements, permits, licences, approvals, certificates and other rights and authorizations, except where such invalidity or default would not, in the aggregate, have a Material Adverse Effect on Yangarra;
- (z) the policies of insurance in force at the date hereof naming Yangarra as an insured and as disclosed in writing to TriOil prior to the date hereof adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Yangarra which would be customary in the business carried on by Yangarra and to the knowledge of Yangarra, all such policies of insurance remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement or the Amalgamation;
- (aa) except as disclosed herein, Yangarra is not a party to any employment agreement (existing or proposed) or any other written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to obligations arising out of a change of control or as to notice of termination or severance pay in lieu thereof which cannot be terminated without cause and giving reasonable notice as implied by law and, except as disclosed in writing to TriOil, no amounts are payable by Yangarra under any obligations or liabilities of Yangarra to pay any amount to its officers or directors, including all severance, termination, change of control arrangements, pay-to-stay or retention arrangements and salaries and bonuses;
- (bb) Yangarra is not a party to, and prior to the Effective Date, Yangarra will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Yangarra Shares or other securities of Yangarra or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the completion of the Amalgamation;
- (cc) no notices, reports or other filings are required to be made by Yangarra with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Yangarra from, any governmental or regulatory authority, other than the Exchange, and the usual filings under applicable Canadian securities laws, in connection with the execution and delivery of this Agreement by Yangarra and the consummation of the transactions contemplated herein by the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on the financial condition of Yangarra or could prevent, materially delay or materially burden the transactions contemplated by this Agreement;
- (dd) as at the date of this Agreement, the working capital deficiency of Yangarra is approximately \$8,300,000
- (ee) as at the date of this Agreement, not more than \$6,500,000 is outstanding under the credit facilities of Yangarra; and
- (ff) as at the date of this Agreement, Yangarra is not a party to any hedges, swaps or other financial instruments or like transactions, other than a costless collar provided by National Bank of Canada with a price range of \$7 to \$9 per gigajoule of natural gas for 1,050 gigajoules per day until December 31, 2005.

### 7.3 Additional Representations and Warranties of TriOil

TriOil represents and warrants to and in favour of Yangarra as follows and acknowledges that Yangarra is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) the authorized capital of TriOil consists of an unlimited number of TriOil Shares, an unlimited number of first preferred shares and second preferred shares each issuable in series, of which the only outstanding shares, as at the date hereof, are 24,219,692 TriOil Shares;
- (b) immediately prior to the Effective Date there shall be issued and outstanding no more than 24,219,692 TriOil Shares (excluding any TriOil Shares issuable on exercise of TriOil Options, TriOil Agent's Options or TriOil Warrants) and, except for the TriOil Options, TriOil Agent's Options or the TriOil Warrants and as provided under or as a consequence of the Amalgamation, no person shall have any agreement or option or any right or privilege (whether by law, preemptive right, contract or otherwise) capable of becoming an agreement, option or right for the purchase, subscription, allotment or issuance of any unissued securities of TriOil and all of the issued and outstanding TriOil Shares have been duly authorized and validly issued as fully paid and non-assessable and all TriOil Shares, if any, issued on exercise of the TriOil Options, TriOil Agent's Options or TriOil Warrants will be duly authorized and validly issued as fully paid and non-assessable. No more than 1,795,000 TriOil Shares are issuable pursuant to outstanding TriOil Options, no more than 1,191,662 TriOil Shares are issuable pursuant to outstanding TriOil Warrants and no more than 137,049 TriOil Shares are issuable pursuant to outstanding TriOil Agent's Options;
- (c) the TriOil Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada on a consistent basis with prior periods (except as stated therein) and present fairly its financial position as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended;
- (d) TriOil has no subsidiaries and is not a party to any agreements of any nature to acquire any subsidiary, or to acquire or lease any other business, assets or operations out of the ordinary course of business;
- (e) to the best of its knowledge, after due inquiry, there are no unanimous shareholders agreements, voting trusts, escrow agreements or similar agreements (other than the TriOil Lock-Up Agreements) among the TriOil Shareholders relating to TriOil or the TriOil Shares or other securities of TriOil;
- (f) since January 1, 2005, TriOil has:
  - (i) not suffered any Material Adverse Change nor have there been any occurrences or circumstances which have resulted or might reasonably be expected to result in a Material Adverse Change;
  - (ii) except as previously disclosed in writing to Yangarra, maintained in effect salary and other compensation levels in accordance with then existing levels;
  - (iii) not declared, paid or set aside for payment any dividend or distribution of any kind in respect of any of its outstanding securities nor made any repayments of capital;

- (iv) not entered into or committed to enter into any material agreement with a non-arm's length person (as such term is defined in the *Income Tax Act* (Canada));
- (v) conducted its business only in the ordinary and normal course; and
- (vi) not incurred any liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to TriOil which has been incurred other than in the ordinary and normal course;

except as has been previously disclosed in the Public Record or as contemplated by this Agreement;

- (g) to the knowledge of TriOil, the data and information in respect of TriOil and its assets, reserves, liabilities, business and operations provided by TriOil or its advisors to Yangarra or its advisors was and is accurate and correct in all material respects as at the respective dates thereof and did not and does not omit any material data or information necessary to make any data or information provided not misleading as at the respective dates thereof;
- (h) no securities commission or similar regulatory authority or stock exchange in Canada has issued any order which is currently outstanding preventing or suspending trading in any securities of TriOil and, to TriOil's knowledge, no such proceeding is pending, contemplated or threatened;
- (i) TriOil is a reporting issuer under the Applicable Securities Laws, and, to the best of its knowledge, is not in material default of any requirement of such Applicable Securities Laws or the policies of the Exchange and the outstanding TriOil Shares are listed and posted for trading on the Exchange;
- (j) TriOil has in all material respects made all filings required under Applicable Securities Laws with the applicable securities regulatory authorities and all such filings and information and statements contained therein were true, correct and complete in all material respects and did not contain any misrepresentation (as defined in the *Securities Act* (Alberta)) as of the date of such information or statement;
- (k) other than as previously disclosed in writing to Yangarra or as contemplated by this Agreement, there are no material contracts or agreements which have or which might create any material obligation to TriOil or from which it derives or could derive any material benefit which is required by TriOil to carry on its business as now conducted by it or as is now proposed to be carried on by it, except those contracts which are in the ordinary course of business or which are reflected in the TriOil Financial Statements. For the purpose of this representation and warranty, contracts shall be deemed to give rise to a material obligation if they provide for expenditures by TriOil which aggregate more than \$200,000 during the next 12 months following the date hereof;
- (l) TriOil does not have in effect any bonus plan, commission plan, profit sharing plan, pension plan, royalty plan or arrangement or employee benefit plan for the benefit of any employees, officers, directors or shareholders of TriOil, and, except severance payable to Joseph M. Dutton, it is not a party to any written employment or consulting agreement with any person, except for TriOil's stock option plan or as has been disclosed in writing to Yangarra;
- (m) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by the board of directors of TriOil and this Agreement has been duly executed by TriOil and constitutes a valid and binding obligation enforceable against it in

accordance with its terms, subject to enforceability being limited by applicable bankruptcy, insolvency, reorganization and other laws affecting the enforcement of creditors' rights generally and the discretionary nature of certain remedies (including specific performance and injunctive relief) and subject to the effectiveness of indemnities and clauses exculpating a Party or persons from a liability or a duty otherwise owed which may be limited by law;

- (n) TriOil does not warrant title to its material properties and assets, but does warrant TriOil's material properties and assets are free and clear of all mortgages, pledges, liens, charges, burdens and encumbrances (other than Permitted Encumbrances), and other than Permitted Encumbrances it has done no act or suffered or permitted no action to be done whereby any person has acquired or may acquire an interest in or to its material properties or assets, nor has it done any act, omitted to do any act or permitted any act to be done that may adversely affect or defeat its title to any of its material properties or assets;
- (o) TriOil made available to Sproule Associates Limited (the "**TriOil Engineers**") prior to issuance of the TriOil Engineers' report in respect of TriOil's oil and natural gas reserves effective July 31, 2005 (the "**TriOil Reserve Report**") for the purposes of preparing the TriOil Reserve Report, all information requested by the TriOil Engineers and all information material to an adequate determination of TriOil's oil and gas reserves and, to the knowledge of TriOil, none of such information contained a misrepresentation (as defined in the *Securities Act* (Alberta)). TriOil has no knowledge of any Material Adverse Change in any information provided to the TriOil Engineers since the dates that such information was provided and TriOil believes that the TriOil Reserve Report reasonably represents the quantity and pre-tax present worth values of the oil and gas reserves of TriOil as at July 31, 2005, based upon information available, and upon the regulatory policy applicable to the TriOil Reserve Report, at the time the TriOil Reserve Report was prepared and the assumptions as to commodity prices and costs contained therein and there has been no Material Adverse Change in TriOil's oil and natural gas reserves and assets from those described in the TriOil Reserve Report, except as may have occurred through normal production in accordance with customary industry practice;
- (p) 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 TriOil in respect of any properties or assets up to the date hereof and to the Effective Date have been or will be properly and fully paid and discharged;
- (q) no officer, director, employee or any other person not dealing at arm's length with TriOil, or, to the knowledge of TriOil, any associate or affiliate of any such person or any Party owns, has or is entitled to any royalty, net profits interest, carried interest or other encumbrances or claims of any nature whatsoever which are based on production from TriOil's properties or assets or any revenue or rights attributed thereto;
- (r) there are no material contracts or arrangements to which TriOil is a party with any director, officer, employee or any other person not dealing at arm's length with TriOil, or any associate or affiliate of any such director, officer, employee or any other person not dealing at arm's length with TriOil, nor is there any material indebtedness owing by TriOil to any such parties or by any such parties to TriOil, other than employment agreements (existing or proposed), copies of which have previously been provided to Yangarra and severance payable to Joseph Dutton as disclosed elsewhere herein;

- (s) TriOil is not 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, other than in respect of outstanding flow-through obligations;
- (t) TriOil has no obligation to incur and renounce in accordance with the *Income Tax Act* (Canada) any expenditures required to be renounced to holders of any flow-through shares issued by it, except with respect to the 6,538,847 “flow-through” TriOil Shares issued at \$0.65 per share in November 2004, not more than \$3,000,000 of which remains to be expended as at the date hereof;
- (u) the TriOil Information will be true, complete and accurate in all material respects and shall not contain any misrepresentation (as defined in the *Securities Act* (Alberta));
- (v) the board of directors of TriOil has endorsed the entering into of this Agreement, has approved the Amalgamation, has based on the advise of its financial advisors and the recommendation of the TriOil Special Committee, determined that the Amalgamation is fair to TriOil Shareholders from a financial point of view and in the best interests of TriOil and TriOil Shareholders, and has resolved to recommend that TriOil Shareholders vote in favour of the Amalgamation;
- (w) TriOil has not waived the applicability of any “standstill” or other provision of any confidentiality agreements entered into by TriOil;
- (x) TriOil has not retained any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except Woodstone Capital Inc. which firm has been retained as TriOil’s financial advisor in connection with certain matters, including the transactions contemplated by this Agreement and the preparation of the TriOil Fairness Opinion, and the fees payable to Woodstone Capital Inc. in the amount of \$47,000 have been disclosed to Yangarra.;
- (y) to the knowledge of TriOil, TriOil has all agreements, permits, licences, approvals, certificates and other rights and authorizations material to the conduct of TriOil’s business, and to the knowledge of TriOil, all agreements, permits, licences, approvals, certificates and other rights and authorizations possessed by TriOil are valid and subsisting and TriOil is not in material default under any such agreements, permits, licences, approvals, certificates and other rights and authorizations, except where such invalidity or default would not, in the aggregate, have a Material Adverse Effect on TriOil;
- (z) the policies of insurance in force at the date hereof naming TriOil as an insured and as disclosed to Yangarra prior to the date hereof adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of TriOil which would be customary in the business carried on by TriOil and to the knowledge of TriOil, all such policies of insurance remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement or the Amalgamation;
- (aa) except as disclosed herein, TriOil is not a party to any employment agreement (existing or proposed) or any other written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to obligations arising out of a change of control or as to notice of termination or severance pay in lieu thereof which cannot be terminated without cause and giving reasonable notice as implied by law and, except as disclosed in writing to Yangarra, no amounts are payable by TriOil under any obligations or liabilities of

TriOil to pay any amount to its officers or directors, including all severance, termination, change of control arrangements, pay-to-stay or retention arrangements and salaries and bonuses, other than severance in the amount of \$115,200 payable to Joseph Dutton, TriOil, President and Chief Executive Officer, which represents one year salary at \$9,000 per month (\$108,000 in the aggregate) and one year of benefits at \$600 per month (\$7,200 in the aggregate);

- (bb) TriOil is not a party to, and prior to the Effective Date, TriOil will not implement a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire TriOil Shares or other securities of TriOil or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the completion of the Amalgamation;
- (cc) no notices, reports or other filings are required to be made by TriOil with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by TriOil from, any governmental or regulatory authority, other than the Exchange, and the usual filings under applicable Canadian securities laws, in connection with the execution and delivery of this Agreement by TriOil and the consummation of the transactions contemplated herein by the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on the financial condition of TriOil or could prevent, materially delay or materially burden the transactions contemplated by this Agreement;
- (dd) as at the date of this Agreement, the working capital of TriOil was approximately \$600,000;
- (ee) as at the date of this Agreement, no amounts are outstanding under TriOil's credit facility; and
- (ff) as at the date of this Agreement, TriOil is not a party to any hedges, swaps or other financial instruments or like transactions.

## **ARTICLE 8 CONDITIONS PRECEDENT**

### **8.1 Mutual Conditions Precedent**

The respective obligations of the Parties hereto to consummate the transactions contemplated hereby, and in particular the Amalgamation, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) a special resolution shall have been passed by each of the Yangarra Shareholders and the TriOil Shareholders in form and substance satisfactory to each of TriOil and Yangarra, acting reasonably, duly approving the Amalgamation;
- (b) the Articles of Amalgamation filed with the Registrar in accordance with the Amalgamation shall be in form and substance satisfactory to each of TriOil and Yangarra;
- (c) the Amalgamation shall have become effective on or before October 31, 2005;
- (d) holders of not more than 10% of the Yangarra Shares and not more than 10% of the TriOil Shares shall have exercised rights of dissent in relation to the Amalgamation;
- (e) all required regulatory, governmental and third party approvals and consents in respect of the completion of the Amalgamation shall have been obtained on terms and conditions, satisfactory

to TriOil and Yangarra, each acting reasonably, including, without limitation, conditional approval for listing of the Amalco Shares issuable pursuant to the Amalgamation, and all securities convertible into Amalco Shares, as well as pursuant to Amalco's share option plan on the Exchange and all applicable statutory and regulatory waiting periods shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory regulatory period;

- (f) there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order 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 Amalgamation or any other transactions contemplated herein; or
  - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (g) all officers, directors, employees or consultants of TriOil and Yangarra that have any rights to any severance or payments as a result of a change of control arising from the Amalgamation shall have waived such rights on terms and conditions satisfactory to TriOil and Yangarra, respectively, other than the severance payment in the amount of \$115,200 to be made to Joseph Dutton as disclosed elsewhere herein;
- (h) arrangements satisfactory to TriOil and Yangarra, acting reasonably, shall have been entered into such that upon completion of the Amalgamation, the holders of TriOil Warrants, TriOil Options, TriOil Agent's Options and Yangarra Options shall receive certificates representing the securities to which they are entitled, as contemplated by Sections 3.7, 3.8 and 3.9 hereof;
- (i) the securities of Amalco to be issued upon the completion of the Amalgamation shall have been accepted for listing by the Exchange, subject to Amalco fulfilling Exchange's usual and ordinary listing requirements;
- (j) each of Yangarra and TriOil shall be satisfied, acting reasonably, that upon completion of the Amalgamation, Amalco's senior management will initially be comprised of the following individuals or officers, if any, as TriOil and Yangarra may agree, acting reasonably:
- |                                       |   |                     |
|---------------------------------------|---|---------------------|
| President and Chief Executive Officer | – | James G. Evaskevich |
| Chief Financial Officer               | – | John Aihoshi        |
| Vice-President, Operations            | – | Robert D. Weir      |
| Vice-President, Exploration           | – | Don Poruchny; and   |
- (k) the Directors of Amalco shall be the Directors referred to in Section 3.2 hereof.

The foregoing conditions are for the mutual benefit of Yangarra and TriOil and may be asserted by Yangarra or TriOil regardless of the circumstances and may be waived by Yangarra and TriOil in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Yangarra or TriOil may have.

## 8.2 Conditions to Obligation of Yangarra

The obligation of Yangarra to consummate the transactions contemplated hereby, and in particular the Amalgamation, is subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) Yangarra and the Yangarra Special Committee shall have received the Yangarra Fairness Opinion, which opinion shall not have been rescinded or retracted;
- (b) each of the acts and undertakings of TriOil to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by TriOil in all material respects;
- (c) TriOil shall have furnished Yangarra (all in form acceptable to Yangarra, acting reasonably) with:
  - (i) a certified copy of the resolutions duly passed by the board of directors of TriOil approving this Agreement and the consummation of the transactions contemplated hereby, directing the submission of the Amalgamation for approval at the TriOil Meeting and recommending that TriOil Shareholders vote in favour of the Amalgamation; and
  - (ii) a certified copy of the special resolution of TriOil Shareholders, duly passed at the TriOil Meeting, approving the Amalgamation;
- (d) except as affected by the transactions contemplated by this Agreement, the representations and warranties of TriOil contained in Sections 7.1 and 7.3 shall be true in all material respects immediately prior to the Effective Date with the same effect as though such representations and warranties had been made at and as of such time and TriOil shall have complied in all material respects with its covenants in this Agreement and Yangarra shall have received a certificate to that effect dated the Effective Date from the President and the Chief Financial Officer of TriOil, each acting solely on behalf of TriOil and not in his personal capacity, to the best of his information and belief having made reasonable inquiry and Yangarra shall have no knowledge to the contrary;
- (e) there shall have occurred no Material Adverse Change in respect of TriOil and the certificate contemplated by Section 8.2(d) hereof shall certify same;
- (f) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency to enjoin or prohibit the Amalgamation from being completed, or which would result in a judgement in material damages relating to the transaction as contemplated herein or prohibit Amalco's ownership or operation of all or a material portion of Yangarra's and TriOil's business;
- (g) the TriOil Special Committee shall have recommended the Amalgamation to the board of directors of TriOil and the board of directors of TriOil shall have approved the Amalgamation, recommended that the TriOil Shareholders vote in favour of the Amalgamation and shall not have varied, altered or rescinded such recommendation;
- (h) TriOil shall have provided to Yangarra the consent of its lenders (if required) to the transactions contemplated hereby; and

- (i) TriOil shall have total debt and working capital deficiency, including all of its costs of the Amalgamation, of not more than \$1,100,000, and Yangarra shall have received a certificate to that effect and also setting out the calculation of total debt and working capital and the significant components thereof, dated the Effective Date, of the President and Chief Financial Officer of TriOil.

The conditions in this Section 8.2 are for the exclusive benefit of Yangarra and may be asserted by Yangarra regardless of the circumstances or may be waived by Yangarra in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Yangarra may have.

### **8.3 Conditions to Obligations of TriOil**

The obligations of TriOil to consummate the transactions contemplated hereby, and in particular the Amalgamation, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) TriOil and the TriOil Special Committee shall have received the TriOil Fairness Opinion, which opinion shall not have been rescinded or retracted;
- (b) each of the acts and undertakings of Yangarra to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by Yangarra in all material respects;
- (c) Yangarra shall have furnished TriOil (all in form acceptable to TriOil, acting reasonably) with:
  - (i) a certified copy of the resolutions duly passed by the board of directors of Yangarra approving this Agreement and the consummation of the transactions contemplated hereby, directing the submission of the Amalgamation for approval at the Yangarra Meeting and recommending that Yangarra Shareholders vote in favour of the Amalgamation; and
  - (ii) a certified copy of the special resolution of Yangarra Shareholders, duly passed at the Yangarra Meeting, approving the Amalgamation;
- (d) except as affected by the transactions contemplated by this Agreement, the representations and warranties of Yangarra contained in Articles 7.1 and 7.2 shall be true in all material respects immediately prior to the Effective Date with the same effect as though such representations and warranties had been made at and as of such time and Yangarra shall have complied in all material respects with its covenants in this Agreement and TriOil shall have received a certificate to that effect, dated the Effective Date, of the President and the Chief Financial Officer of Yangarra, each acting solely on behalf of Yangarra and not in his personal capacity, to the best of his information and belief having made reasonable inquiry and TriOil shall have no knowledge to the contrary;
- (e) there shall not have occurred any Material Adverse Change in respect of Yangarra and the certificate contemplated by Section 8.3(d) shall certify same;
- (f) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency to enjoin or prohibit the Amalgamation from being completed, or which would result in a judgement in material damages relating to the

transaction as contemplated herein, or prohibit Amalco's ownership or operation of all or a material portion of Yangarra's and TriOil's business;

- (g) the Yangarra Special Committee shall have recommended the Amalgamation to the board of directors of Yangarra and the board of directors of Yangarra shall have approved the Amalgamation, recommended that Yangarra Shareholders vote in favour of the Amalgamation and shall not have varied, altered or rescinded such recommendation;
- (h) Yangarra shall have provided TriOil with the consent of its lenders to the Amalgamation; and
- (i) Yangarra shall have total debt and working capital deficiency, including all of its costs of the Amalgamation, of not more than \$10,000,000, and TriOil shall have received a certificate to that effect and also setting out the calculation of total debt and working capital and the significant components thereof, dated the Effective Date, of the President and Chief Financial Officer of Yangarra.

The conditions in this Section 8.3 are for the exclusive benefit of TriOil and may be asserted by TriOil regardless of the circumstances or may be waived by TriOil in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which TriOil may have.

#### **8.4 Notice and Cure Provisions and Effect of Failure to Comply with Conditions**

- (a) Each of Yangarra and TriOil shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to, (i) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any material respect, or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.
- (b) If any of the conditions precedent set forth in Sections 8.1, 8.2 or 8.3 hereof shall not be complied with or waived by the Party for whose benefit such conditions are provided on or before the date required for the performance thereof, then the Party for whose benefit the condition precedent is provided may, in addition to any other remedies it may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Amalgamation for the purpose of giving effect to the Amalgamation, the Party intending to rely thereon has delivered a written notice to the other Party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent. A Party may deliver more than one such notice.

#### **8.5 Satisfaction of Conditions**

The conditions set out in this Article 8 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Amalgamation are filed under the Act to give effect to the Amalgamation.

**ARTICLE 9  
TERMINATION FEE**

**9.1 Yangarra Termination Fee**

Yangarra agrees to pay TriOil in cash the amount of \$300,000 (the “**Yangarra Termination Fee**”) if:

- (a) the board of directors of Yangarra fails to recommend that Yangarra Shareholders approve the Amalgamation or withdraws or, in any manner adverse to TriOil, redefines, modifies or changes any of its recommendations referred to in Section 6.1(c) or shall have resolved to do so; or
- (b) on or prior to the date of the Yangarra Meeting:
  - (i) a Yangarra Acquisition Proposal that is a Yangarra Superior Proposal is publicly announced or made to Yangarra or Yangarra Shareholders; and
  - (ii) the Yangarra Acquisition Proposal has not been withdrawn or expired; and
  - (iii) (A) **THE BOARD OF DIRECTORS OF YANGARRA FAILS TO CONFIRM BY PRESS RELEASE, WITHIN FIVE BUSINESS DAYS AFTER THE PUBLIC ANNOUNCEMENT OR MAKING OF THE YANGARRA ACQUISITION PROPOSAL AND, IF APPLICABLE, IN THE DIRECTORS CIRCULAR RESPONDING TO THE YANGARRA ACQUISITION PROPOSAL, ITS RECOMMENDATION THAT YANGARRA SHAREHOLDERS REJECT THE YANGARRA ACQUISITION PROPOSAL; OR**
  - (B) Yangarra enters into an agreement (other than the agreements referred to in Section 6.2(b)(A) or the confidentiality agreement referred to in Section 6.2(b)(B)) with respect to the Yangarra Acquisition Proposal.

**9.2 Payment of Yangarra Termination Fee**

Yangarra agrees that the Yangarra Termination Fee will be paid within three (3) Business Days after the earliest of the events set forth in Section 9.1 to occur. Such payment shall be made in immediately available funds to an account designated by TriOil. In the event that an Yangarra Acquisition Proposal is publicly announced or made, as contemplated by Section 9.1(b), Yangarra agrees, within three (3) Business Days thereof to deliver to TriOil an irrevocable letter of credit in form and substance satisfactory to TriOil, payable by a Canadian chartered bank in the amount of the Yangarra Termination Fee and which may be immediately drawn upon by TriOil if the Yangarra Termination Fee is payable or such other form of security as is satisfactory to TriOil acting reasonably.

**9.3 TriOil Termination Fee**

TriOil agrees to pay Yangarra in cash the amount of \$300,000 (the “**TriOil Termination Fee**”) if:

- (a) the board of directors of TriOil fails to recommend that TriOil’s Shareholders approve the Amalgamation or withdraws or, in any manner adverse to Yangarra, redefines, modifies or changes any of its recommendation referred to in Section 6.3(c) or shall have resolved to do so; or

- (b) on or prior to the date of the TriOil Meeting:
- (i) a TriOil Acquisition Proposal that is a TriOil Superior Proposal is publicly announced or made to TriOil or TriOil Shareholders; and
  - (ii) the TriOil Acquisition Proposal has not been withdrawn or expired; and
  - (iii) (A) **THE BOARD OF DIRECTORS OF TRIOIL FAILS TO CONFIRM BY PRESS RELEASE, WITHIN FIVE BUSINESS DAYS AFTER THE PUBLIC ANNOUNCEMENT OR MAKING OF THE TRIOIL ACQUISITION PROPOSAL AND, IF APPLICABLE, IN THE DIRECTORS CIRCULAR RESPONDING TO THE TRIOIL ACQUISITION PROPOSAL, ITS RECOMMENDATION THAT YANGARRA SHAREHOLDERS REJECT THE TRIOIL ACQUISITION PROPOSAL; OR**
  - (B) TriOil enters into an agreement (other than the agreements referred to in Section 6.4(b)(A) or the confidentiality agreement referred to in Section 6.4(b)(B)) with respect to the TriOil Acquisition Proposal.

#### **9.4 Payment of TriOil Termination Fee**

TriOil agrees that the TriOil Termination Fee will be paid within three (3) Business Days after the earliest of the events set forth in Section 9.3 to occur. Such payment shall be made in immediately available funds to an account designated by Yangarra. In the event that a TriOil Acquisition Proposal is publicly announced or made, as contemplated by Section 9.3(b), TriOil agrees, within three (3) Business Days thereof to deliver to Yangarra an irrevocable letter of credit in form and substance satisfactory to Yangarra, payable by a Canadian chartered bank in the amount of the TriOil Termination Fee and which may be immediately drawn upon by Yangarra if the TriOil Termination Fee is payable or such other form of security as is satisfactory to Yangarra acting reasonably.

#### **9.5 No Further Recourse**

The right to payment of the Yangarra Termination Fee or TriOil Termination Fee shall constitute the sole remedy and recourse of TriOil or Yangarra, as the case may be, in respect of the matter giving rise to such payment and in the event of payment of the Yangarra Termination Fee or TriOil Termination Fee, TriOil or Yangarra, as the case may be, shall have no further remedy or recourse in respect of the matter giving rise to payment of such fee against Yangarra or TriOil, as the case may be, or its present or former directors, officers, employees, agents or advisors; provided that nothing contained in this section 9.5 shall relieve any Party from any liability for any breach of any provision of this Agreement.

### **ARTICLE 10 TRANSITIONAL PROVISIONS**

#### **10.1 Transitional Provisions**

In connection with the implementation of the Amalgamation, Yangarra and TriOil shall cooperate with each other to provide an orderly transition of control. Each of Yangarra and TriOil will conduct itself so as to keep the other fully informed as to its business and affairs and as to the decisions required with respect to the most advantageous methods of exploring, operating and producing from their

respective assets and shall cooperate with each other with respect thereof. Yangarra and TriOil shall each provide access to its offices to officers and representatives of each other during normal business hours on reasonable notice following the acceptance of this Agreement and the officers of Yangarra and TriOil shall consult with the officers of each other (as they may reasonably request) in respect of their day-to-day operations. Yangarra and TriOil shall each provide to the other information that will allow Amalco, subject to applicable confidentiality provisions, to quickly and efficiently integrate the business and affairs of Yangarra and TriOil on completion of the Amalgamation and in connection therewith shall permit:

- (a) the other Party and its representatives to have reasonable access to its premises, field operations, records, computer systems and employees; and
- (b) the other Party and its representatives to be informed of its operations to ensure compliance with Article 6 hereof.

## **ARTICLE 11 NOTICES**

### **11.1 Notices**

All notices that may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally or sent by telecopy and in the case of:

- (a) TriOil, addressed to:

2920, 205 - 5th Avenue S.W.  
Calgary, AB T2P 2V7

Attention: Joseph Dutton  
Telecopier: (403) 265-5603

with a copy to:

Burnet, Duckworth & Palmer LLP  
Suite 1400, 350 – 7th Avenue S.W.  
Calgary, AB T2P 3N9

Attention: Bill Maslechko  
Telecopier: (403) 260-0377

- (b) Yangarra, addressed to:

Suite 1530, 715 – 5<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 2X6

Attention: James G. Evaskevich  
Telecopier: (403) 262-8284

with a copy to:

Burstall Winger LLP  
3100, 324 – 8<sup>th</sup> Avenue SW  
Calgary, AB T2P 2Z2

Attention: Douglas M. Stuve  
Telecopier: (403) 233-2131

or such other address as a Party hereto may, from time to time, advise to the other Party hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such telecopy is received.

## **ARTICLE 12 AMENDMENT AND TERMINATION OF AGREEMENT**

### **12.1 Amendment**

This Agreement may, at any time and from time to time before or after the holding of the Meetings, be amended by written agreement of the Parties hereto without, subject to applicable law, further notice to or authorization on the part of their respective shareholders 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 or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties hereto; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment shall decrease the number of Amalco Shares to be received by Yangarra Shareholders or TriOil Shareholders, as the case may be, pursuant to the Amalgamation without approval by the Yangarra Shareholders or the TriOil Shareholders, as the case may be, given in the same manner as required for the approval of the Amalgamation.

### **12.2 Termination**

- (a) This Agreement may, prior to the filing of the Articles of Amalgamation, be terminated by mutual agreement of TriOil and Yangarra without further action on the part of the shareholders of Yangarra or TriOil.
- (b) Notwithstanding any other rights contained herein, TriOil may terminate this Agreement upon notice to Yangarra if:
  - (i) the Amalgamation is not approved by the Yangarra Shareholders in accordance with all applicable corporate and securities laws requirements on or before November 14, 2005;
  - (ii) the Amalgamation has not become effective on or before November 15, 2005;

- (iii) the Yangarra Termination Fee is payable by Yangarra in accordance with Section 9.1 hereof;
  - (iv) the TriOil Termination Fee is payable and paid to Yangarra in accordance with Section 9.3 hereof;
  - (v) the board of directors of Yangarra changes, withdraws or modifies its recommendation to Yangarra Shareholders to vote in favour of the Amalgamation;
  - (vi) the TriOil Shareholders have not, by the requisite majority, approved the Amalgamation at the TriOil Meeting; or
  - (vii) upon any other circumstances hereunder that give rise to a right of termination of this Agreement by TriOil, including those set forth in Sections 8.1 and 8.3 hereof.
- (c) Notwithstanding any other rights contained herein, Yangarra may terminate this Agreement upon notice to TriOil if;
- (i) the Amalgamation is not approved by the TriOil Shareholders in accordance with all applicable corporate and securities laws requirements on or before November 14, 2005;
  - (ii) the Amalgamation has not become effective on or before November 15, 2005;
  - (iii) the TriOil Termination Fee is payable by TriOil in accordance with Section 9.3 hereof;
  - (iv) the Yangarra Termination Fee is payable and paid to TriOil in accordance with Section 9.1 hereof;
  - (v) the board of directors of TriOil changes, withdraws or modifies its recommendations to TriOil Shareholders to vote in favour of the Amalgamation;
  - (vi) the Yangarra Shareholders have not, by the requisite majority, approved the Amalgamation at the Yangarra Meeting; or
  - (vii) upon any other circumstances hereunder that give rise to a termination of this Agreement by Yangarra, including those set forth in Sections 8.1 and 8.2 hereof.
- (d) The exercise by any Party of any right of termination hereunder shall be without prejudice to any other remedy available to such Party.
- (e) If this Agreement is terminated pursuant to any provision of this Agreement, the Parties shall return all materials and copies of all materials delivered to Yangarra or TriOil, as the case may be, or their agents. Except for the obligations set forth in Sections 9.1, 9.3 and 13.1 hereof (provided in the case of Section 9.1 and 9.3, the right of payment (in the case of Section 9.1(b) and 9.3(b), being the public announcement or making of such Yangarra Acquisition Proposal or TriOil Acquisition Proposal, as the case may be) arose prior to the termination of this Agreement) 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. Nothing contained in this Section 12.2 shall relieve any Party from any liability for any breach of any provision of this Agreement.

**ARTICLE 13  
GENERAL**

**13.1 Expenses**

Each Party shall bear its own costs and expenses (including, without limitation, fees and disbursements of legal counsel), in connection with this Agreement and the Amalgamation.

**13.2 Binding Effect**

This Agreement shall be binding upon and enure to the benefit of the Parties hereto.

**13.3 Assignment**

No Party to this Agreement may assign any of its rights or obligations under this Agreement without prior written consent of the other Party.

**13.4 Disclosure**

Upon execution of this Agreement, the Parties hereto shall issue press releases that announce that the Parties hereto have entered into this Agreement providing for the implementation of the Amalgamation. Each of TriOil and Yangarra shall receive the prior consent, not to be unreasonably withheld, of the other Party prior to issuing or permitting any director, officer, employee or agent to issue, any press release or other written statement with respect to this Agreement or the transactions contemplated hereby. 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 consult with the other Party as to the wording of such disclosure prior to its being made.

**13.5 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 any way 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.

**13.6 Further Assurances**

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

**13.7 Confidentiality Agreement**

With respect to this Agreement and the Amalgamation and the transactions contemplated hereby, each Party hereby consents hereto and thereto and agrees that each Party is hereby released from any and all of the restrictions set forth in paragraph 6 of the Confidentiality Agreement.

**13.8 Time of Essence**

Time shall be of the essence of this Agreement.

**13.9 Governing Law**

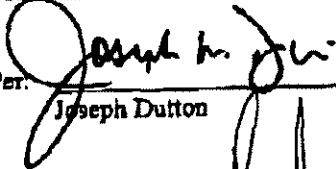
This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the Parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

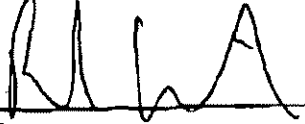
**13.10 Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

TRIOIL LTD.

Per:   
 Joseph Dutton

Per:   
 Robert M. Libin

YANGARRA RESOURCES INC.

Per: \_\_\_\_\_  
 James G. Evaskovich

Per: \_\_\_\_\_  
 Gordon A. Bowerman

**13.7 Confidentiality Agreement**

With respect to this Agreement and the Amalgamation and the transactions contemplated hereby, each Party hereby consents hereto and thereto and agrees that each Party is hereby released from any and all of the restrictions set forth in paragraph 6 of the Confidentiality Agreement.

**13.8 Time of Essence**

Time shall be of the essence of this Agreement.

**13.9 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the Parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

**13.10 Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the date first above written.

**TRIOIL LTD.**

Per: \_\_\_\_\_  
Joseph Durton

Per: \_\_\_\_\_  
Robert M. Libin

**YANGARRA RESOURCES INC**

Per: \_\_\_\_\_  
James G. Evaskevich

Per: \_\_\_\_\_  
Gordon A. Bowerman

**Exhibit A to that Amalgamation Agreement  
made as of the 30<sup>th</sup> day of August, 2005 between  
TriOil Ltd. and Yangarra Resources Inc.**

**ARTICLES OF AMALGAMATION**

**ARTICLES OF AMALGAMATION**

*Business Corporations Act  
(Alberta)  
Section 185*

<p><b>1. Name of Amalgamated Corporation:</b>   <b>YANGARRA RESOURCES INC.</b></p>
--

**2. The classes of shares, and any maximum number of shares that the Corporation is authorized to issue:**

See Schedule "A" attached hereto

**3. Restriction on share transfers, if any:**

None

**4. Number, or minimum and maximum number of directors:**

Minimum of three (3); Maximum of fifteen (15)

**5. If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restriction(s):**

N/A

**6. Other Provisions, if any:**

See Schedule "B" attached hereto

<b>7. Name of Amalgamating Corporations:</b>	<b>Corporate Access Number:</b>
TriOil Ltd.	2011223746
Yangarra Resources Inc.	203242201

_____ Name of Person Authorizing (please print)	_____ Signature
_____ Title (please print)	_____ Date

This information is being collected for purposes of corporate registry records in accordance with the Business Corporations Act. Questions about the collection of this information can be directed to the Freedom of Information and Protection of Privacy Co-ordinator for Alberta Registries, Research and Program Support, 3<sup>rd</sup> Floor, Commerce Place, 10155 – 102 Street, Edmonton, Alberta T5J 4L4, (780) 422-7330.

## SCHEDULE "A"

The authorized capital of the Corporation shall consist of:

- (i) an unlimited number of Common Shares;
- (ii) an unlimited number of First Preferred Shares, issuable in series; and
- (iii) an unlimited number of Second Preferred Shares, issuable in series;

which classes of shares, shall have attached thereto the rights, privileges, restrictions and conditions as set forth below:

### Common Shares

The unlimited number of Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1. The holders of Common Shares shall be entitled to notice of, to attend and to vote at any meeting the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such) and to one vote per share on a ballot.
2. The holders of Common Shares shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends.
3. The holders of Common Shares shall be entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital, in such assets of the Corporation as are available for distribution.

### First Preferred Shares

The unlimited number of First Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

4. The First Preferred Shares may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued, the Directors of the Corporation shall, by resolution, fix the number of shares that will form such series and shall, subject to the limitations set out herein, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the First Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for securities of the Corporation or otherwise, the voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any

shares other than First Preferred Shares or payment in respect of capital on any shares in the capital of the Corporation or creation or issue of debt or equity securities; the whole subject to filing with the Registrar (as defined in the *Business Corporations Act* (Alberta) or successor legislation thereto) of Articles of Amendment setting forth a description of such series including the designation, rights, privileges, restrictions and conditions attached to the shares of such series.

5. Notwithstanding paragraph 1, the Directors of the Corporation may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of First Preferred Shares, subject to filing with the Registrar (as defined in the *Business Corporations Act* (Alberta)) of Articles of Amendment setting forth the changes in rights, privileges, restrictions and conditions attached to the shares of such series.
6. The First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to accumulated dividends and return of capital. The First Preferred Shares shall be entitled to a preference over the Second Preferred Shares and the Common Shares and over any other shares of the Corporation ranking junior to the First Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the First Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the First Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment in satisfaction of claims in respect of dividends. The First Preferred Shares of any series may also be given such other preferences not inconsistent with paragraphs 1 through 5 hereof over the Second Preferred Shares and the Common Shares and any other shares ranking junior to the First Preferred Shares as may be determined in the case of each such series of First Preferred Shares.
7. The rights, privileges, restrictions and conditions attaching to the First Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the First Preferred Shares given as herein specified.
8. The rights, privileges, restrictions and conditions attaching to the First Preferred Shares as a class as provided herein and as may be provided from time to time may be repealed, altered, modified, amended or amplified or otherwise varied only with the sanction of the holders of the First Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution passed by the affirmative vote of a least two-thirds of the votes cast at a meeting of holders of First Preferred Shares duly called for such purpose and held upon at least twenty-one (21) days' notice at which a quorum is present comprising at least two persons present, holding or representing by proxy at least twenty (20%) per cent of the outstanding First Preferred Shares. If any such quorum is not present within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to a date being not less than fifteen (15) days later and at such time and place as may be appointed by the chairman and at such meeting a quorum will consist of that number of shareholders present in person or represented by proxy. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which

may from time to time be prescribed in the by-laws of the Corporation with respect to meetings of shareholders. On every vote taken at every such meeting or adjourned meeting each holder of a First Preferred Share shall be entitled to one (1) vote in respect of each one (\$1) dollar of stated value of First Preferred Shares held.

## Second Preferred Shares

The unlimited number of Second Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1. The Second Preferred Shares may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued, the Directors of the Corporation shall, by resolution, fix the number of shares that will form such series and shall, subject to the limitations set out herein, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the Second Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for securities of the Corporation or otherwise, the voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares other than Second Preferred Shares or payment in respect of capital on any shares in the capital of the Corporation or creation or issue of debt or equity securities; the whole subject to filing with the Registrar (as defined in the *Business Corporations Act* (Alberta) or successor legislation thereto) of Articles of Amendment setting forth a description of such series including the designation, rights, privileges, restrictions and conditions attached to the shares of such series.
2. Notwithstanding paragraph 1, the Directors of the Corporation may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of Second Preferred Shares, subject to filing with the Registrar (as defined in the *Business Corporations Act* (Alberta)) of Articles of Amendment setting forth the changes in rights, privileges, restrictions and conditions attached to the shares of such series.
3. The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Second Preferred Shares shall be entitled to a preference over the Common Shares and over any other shares of the Corporation ranking junior to the Second Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Second Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Second Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment in satisfaction of claims in respect of dividends. The Second Preferred Shares of any series may also be given such other

preferences not inconsistent with paragraphs 1 through 5 hereof over the Common Shares, and any other shares ranking junior to the Second Preferred Shares as may be determined in the case of each such series of Second Preferred Shares.

4. The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Second Preferred Shares given as herein specified.
5. The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class as provided herein and as may be provided from time to time may be repealed, altered, modified, amended or amplified or otherwise varied only with the sanction of the holders of the Second Preferred Shares given in such a manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of holders of Second Preferred Shares duly called for such purpose and held upon at least twenty-one (21) days' notice at which a quorum is present comprising at least two persons present, holding or representing by proxy at least twenty (20%) per cent of the outstanding Second Preferred Shares. If any such quorum is not present within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to a date being not less than fifteen (15) days later and at such time and place as may be appointed by the chairman and at such meeting a quorum will consist of that number of shareholders present in person or represented by proxy. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which may from time to time be prescribed in the by-laws of the Corporation with respect to meetings of shareholders. On every vote taken at every such meeting or adjourned meeting each holder of a Second Preferred Share shall be entitled to one (1) vote in respect of each one (\$1) dollar of stated value of Second Preferred Shares held.

## SCHEDULE "B"

- (a) The directors of the corporation may, without authorization of the shareholders:
  - (i) borrow money on the credit of the Corporation;
  - (ii) issue, reissue, sell or pledge debt obligations of the Corporation;
  - (iii) subject to the *Business Corporations Act* of Alberta, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
  - (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.
- (b) The directors may, by resolution, delegate the powers referred to in subsection (a) hereof to a director, a committee of directors or an officer.
- (c) The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last annual general meeting of the Corporation.
- (d) Meetings of the shareholders may be held at any place within Alberta or at any of the following cities: Vancouver, British Columbia; Victoria, British Columbia; Kelowna, British Columbia; Regina, Saskatchewan; Winnipeg, Manitoba; Metropolitan Toronto, Ontario; Mississauga, Ontario; Ottawa, Ontario; Montreal, Quebec; Halifax, Nova Scotia; New York, New York; Chicago, Illinois; Los Angeles, California; Palm Springs, California, San Diego, California; San Francisco, California; Seattle, Washington; or Phoenix, Arizona.

**Exhibit B to that Amalgamation Agreement  
made as of the 30<sup>th</sup> day of August, 2005 between  
TriOil Ltd. and Yangarra Resources Inc.**

**FORM OF YANGARRA LOCK-UP AGREEMENT**

August 30, 2005

**CONFIDENTIAL**

\_\_\_\_\_  
(Please print full name)

\_\_\_\_\_  
(Please print full address, including postal code)

Dear Sirs:

**Re: Yangarra Resources Inc.**

We understand that you (the "**Shareholder**") are the beneficial owner of, or exercise control and direction over the number of common shares ("**Yangarra Shares**") of Yangarra Resources Inc. ("**Yangarra**") and options ("**Yangarra Options**") to purchase Yangarra Shares set forth on the signature page hereof.

Pursuant to an Amalgamation Agreement dated as of August 30, 2005 (the "**Amalgamation Agreement**") between Yangarra and TriOil Ltd. ("**TriOil**"), TriOil and Yangarra have agreed to amalgamate (the "**Amalgamation**") and continue as one corporation ("**Amalco**") under the *Business Corporations Act* (Alberta) (the "**Transaction**").

Capitalized terms that are not otherwise defined herein shall have the meaning ascribed to such terms in the Amalgamation Agreement.

In consideration for TriOil entering into the Amalgamation Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Shareholder and TriOil covenant and agree as follows:

**1. The Transaction**

1.1 Pursuant to the Transaction, among other things, each holder of Yangarra Shares will receive one common share ("**Amalco Share**") in the capital of Amalco for each 0.95 Yangarra Shares and each holder of TriOil Shares will receive one (1) Amalco Share for each one TriOil Share.

1.2 Notwithstanding the foregoing, the completion of the Transaction is subject to various conditions as set forth in the Amalgamation Agreement, which conditions are for the exclusive benefit of TriOil and/or Yangarra, which TriOil and/or Yangarra has the right, in its sole discretion, to waive in whole or in part, or to rely on in connection with termination of the Amalgamation Agreement and this agreement and their respective obligations to complete the Transaction.

## 2. Agreement to Vote

2.1 Subject to the terms and conditions hereof, the Shareholder hereby irrevocably agrees to vote (and to provide evidence thereof to TriOil within 10 days prior to the meeting of Yangarra's shareholders at which the Amalgamation is considered), all of the Yangarra Shares and, if required, Yangarra Options that the Shareholder beneficially owns or over which it exercises control or direction (the "**Presently Held Securities**") and any additional Yangarra Shares that the Shareholder may hereafter become the beneficial owner of or exercise control or direction over (including any such Yangarra Shares issued on exercise of any Yangarra Options) (the "**After Acquired Securities**") (the Presently Held Securities and the After Acquired Securities, collectively, the "**Subject Securities**") in favour of the Transaction and any other matters proposed by Yangarra that are necessary or desirable to complete the Transaction and not withdraw any proxies or change the vote in respect thereof, except as provided herein.

## 3. Representations, Warranties and Covenants of the Shareholder

3.1 The Shareholder represents and warrants to TriOil, and acknowledges that TriOil is relying upon such representations and warranties in entering into this agreement that:

- (a) the Shareholder has good and sufficient power, authority and right to enter into this agreement and to complete the transactions contemplated hereby;
- (b) assuming the due execution and delivery of this agreement by TriOil, this agreement is a legal, valid and binding obligation of the Shareholder enforceable by TriOil against the Shareholder in accordance with its terms subject to the limitation that the enforceability of any waiver of statutory rights may be limited by applicable law, and the consummation by the Shareholder of the transactions contemplated hereby will not constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which the Shareholder is a party or by which the Shareholder is bound;
- (c) the Shareholder is the beneficial owner of, or exercises control or direction over, the Presently Held Securities and will, upon deposit of same under the Transaction, hold such securities free and clear of all liens, charges, encumbrances, security interests and other rights of others whatsoever and the Shareholder has, or in the case of the After Acquired Securities will have, good and sufficient power, authority and right to exercise all voting rights in respect of the Subject Securities; and
- (d) the Presently Held Securities represent all of the Yangarra Shares beneficially owned or over which the Shareholder exercises control or direction and the Shareholder does not hold any other rights to acquire any Yangarra Shares, other than the Yangarra Options.

The foregoing representations and warranties will be true and correct on the date hereof and on the date of completion of the Transaction.

3.2 The Shareholder covenants and agrees with TriOil that so long as the Shareholder is required to vote the Subject Securities in favour of the Transaction hereunder, the Shareholder will not, and will use its reasonable best efforts to cause its representatives and advisors not to, directly or indirectly:

- (a) solicit, initiate, invite, encourage or continue any inquiries or proposals from, or negotiations with, any person, company or other entity (other than TriOil) relating to the purchase of Yangarra

Shares or any other securities of Yangarra, any amalgamation, merger or other form of business combination involving Yangarra, any sale, lease, exchange or transfer of any material assets of Yangarra, or any take-over bid, reorganization, recapitalization, liquidation or winding-up of or other business combination or other transaction involving Yangarra with any person other than TriOil or any of its affiliates (a “**Proposed Transaction**”); or

- (b) enter into any agreement, discussions or negotiations with any person, company or other entity other than TriOil or any of its affiliates with respect to a Proposed Transaction or a potential Proposed Transaction;
- (c) furnish or cause to be furnished any non-public information concerning the business, results of operations, assets, liabilities, prospects, financial condition or affairs of Yangarra to any person, company or other entity other than TriOil and its representatives, other than as disclosed prior to the date hereof.

and provided that the continued solicitation and consideration by the board of directors of Yangarra of any alternative acquisition proposal consistent with the Amalgamation Agreement shall not constitute a violation of this covenant and provided that if the Shareholder is a director or officer of Yangarra, the foregoing provisions of this Section 3.2 shall not restrict the Shareholder from discharging his or her fiduciary duties as provided in the Amalgamation Agreement and provided such action is also permitted by the Amalgamation Agreement.

3.3 The Shareholder covenants and agrees with TriOil that so long as the Shareholder is required to vote the Subject Securities in favour of the Transaction hereunder, that:

- (a) it will notify TriOil promptly if any such discussions or negotiations are sought or if any proposal in respect of a Proposed Transaction is received, being considered or indicated to be forthcoming;
- (b) except as contemplated herein, or to a person who is bound by the terms of an agreement with TriOil in the same form as this agreement, it shall not sell, assign, convey, otherwise dispose of or pledge, charge, encumber or grant a security interest in or grant to any other person any interest in any of the Subject Securities;
- (c) it shall not exercise any shareholder rights or remedies available at common law or pursuant to applicable securities or corporate laws to delay, hinder, upset or challenge the Transaction;
- (d) it shall exercise all voting rights attached to the Subject Securities to vote against any resolution to be considered by the securityholders of Yangarra that, if approved, could reasonably be considered to reduce the likelihood of the completion of the Transaction;
- (e) it shall enter into such escrow arrangements in connection with the Transaction as may be required by the TSX Venture Exchange Inc.; and
- (f) it shall use its reasonable best efforts to cause Yangarra to perform its obligations under the Amalgamation Agreement, to the extent such is within its power.

#### **4. Representations and Warranties of TriOil**

4.1 TriOil represents and warrants to the Shareholder, and acknowledges that the Shareholder is relying upon such representations and warranties in entering into this agreement, that:

- (a) it has good and sufficient power, authority and right to enter into this agreement and, subject to the terms and conditions of the Amalgamation Agreement, to complete the transactions contemplated hereby; and
- (b) upon the due execution and delivery of this agreement by the Shareholder, this agreement is a legal, valid and binding obligation of TriOil enforceable by the Shareholder against TriOil in accordance with its terms, and the consummation by it of the transactions contemplated hereby will not constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which it is a party or by which it is bound.

The foregoing representations and warranties will be true and correct on the date hereof and on the date of completion of the Amalgamation.

## **5. Termination**

5.1 The obligations hereunder of the Shareholder shall terminate at the option of the Shareholder upon written notice given by the Shareholder to TriOil:

- (a) if the Amalgamation Agreement is terminated in accordance with its terms other than as a result of any act or omission on the part of the Shareholder; or
- (b) if the Transaction is not completed on or before November 15, 2005.

5.2 The obligations hereunder of TriOil shall terminate at the option of TriOil upon written notice given by TriOil to the Shareholder:

- (a) if the Shareholder has breached or failed to perform and satisfy any of its covenants or agreements herein contained in a material respect or any of the representations and warranties of the Shareholder contained herein are not true and correct in a material respect; or
- (b) if the Amalgamation Agreement is terminated in accordance with its terms.

5.3 In the event of the termination of this agreement as provided in sections 5.1 and 5.2 above, this agreement shall forthwith become void and of no further force or effect and there shall be no liability on the part of any party hereto, provided that the foregoing shall not relieve any Party from any liability for any breach of this agreement.

## **6. Regulatory Approvals**

6.1 The Shareholder covenants that, so long as the Shareholder is required to vote the Subject Securities in favour of the Transaction, the Shareholder shall, acting reasonably, at TriOil's or Yangarra's cost, co-operate with TriOil in obtaining all governmental and regulatory approvals required to permit TriOil to complete the Transaction in accordance with its terms.

## **7. Public Disclosure**

7.1 The Shareholder agrees not to make any public disclosure or announcement of or pertaining to this agreement, the Amalgamation Agreement or the Transaction nor to disclose that any discussions or negotiations are taking place in connection therewith without the prior written consent of TriOil, except as required by law.

**8. Amendments and Assignment**

8.1 This agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties hereto. No Party to this agreement may assign any of its rights or obligations under this agreement without the prior written consent of the other Party.

**9. Time**

9.1 Time shall be of the essence of this agreement.

**10. Survival**

10.1 The representations, warranties and covenants of the Shareholder and of TriOil herein shall survive the consummation of the Transaction and the completion of the Amalgamation.

**11. Successors and Assigns**

11.1 This agreement shall be binding upon, enure to the benefit of and be enforceable by the Shareholder, TriOil and their respective successors and permitted assigns.

**12. Notice**

12.1 Any notice or other communication required or permitted to be given hereunder shall be sufficiently given if delivered:

- (a) in the case of the Shareholder, to the address appearing on the first page of this letter; and
- (b) in the case of TriOil, to 2920, 205 - 5th Avenue S.W., Calgary, Alberta T2P 2V7 (fax no. (403) 265-5603).

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.

**13. General**

13.1 All references to Yangarra Shares herein shall include any shares into which the Yangarra Shares may be reclassified, subdivided, redivided, consolidated or converted by amendment to the articles of Yangarra and the price per share referred to herein shall be amended accordingly.

13.2 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 neuter gender.

13.3 This agreement and the rights and obligations of the Parties hereto shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

13.4 TriOil shall pay its own expenses incurred in connection with this agreement and the transactions contemplated hereby and TriOil acknowledges that Yangarra will pay any expenses of the Shareholder in connection with the preparation of and negotiation of this agreement.

**14. Acceptance**

14.1 If you are in agreement with the foregoing, kindly signify your acceptance by signing the second copy of this letter and delivering it to TriOil in the manner provided below. This letter may be signed in two or more counterparts that together shall be deemed to constitute one valid and binding agreement and delivery of counterparts may be effected by means of facsimile transmission.

Yours very truly,

**TRIOIL LTD.**

Per: \_\_\_\_\_

*In consideration of your entering into of the Amalgamation Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Shareholder hereby irrevocably accepts the foregoing as of the \_\_\_\_\_ day of \_\_\_\_\_, 2005.*

\_\_\_\_\_  
(Signature of Shareholder)

\_\_\_\_\_  
(Name of Shareholder - please print)

\_\_\_\_\_  
(Number of Yangarra Shares beneficially held or controlled)

\_\_\_\_\_  
(Number of Yangarra Options held)

**Exhibit C to that Amalgamation Agreement  
made as of the 30<sup>th</sup> day of August, 2005 between  
TriOil Ltd. and Yangarra Resources Inc.**

**FORM OF TRIOIL LOCK-UP AGREEMENT**

August 30, 2005

**CONFIDENTIAL**

\_\_\_\_\_  
(Please print full name)

\_\_\_\_\_  
(Please print full address, including postal code)

Dear Sirs:

**Re: TriOil Ltd.**

We understand that you (the "**Shareholder**") are the beneficial owner of, or exercise control and direction over the number of common shares ("**TriOil Shares**") of TriOil Ltd. ("**TriOil**"), options ("**TriOil Options**") to purchase TriOil Shares and warrants ("**TriOil Warrants**") to purchase TriOil Shares set forth on the signature page hereof.

Pursuant to an Amalgamation Agreement dated as of August 30, 2005 (the "**Amalgamation Agreement**") between TriOil and Yangarra Resources Inc. ("**Yangarra**"), TriOil and Yangarra have agreed to amalgamate (the "**Amalgamation**") and continue as one corporation ("**Amalco**") under the *Business Corporations Act* (Alberta) (the "**Transaction**").

Capitalized terms that are not otherwise defined herein shall have the meaning ascribed to such terms in the Amalgamation Agreement.

In consideration for Yangarra entering into the Amalgamation Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Shareholder and Yangarra covenant and agree as follows:

**1. The Transaction**

1.1 Pursuant to the Transaction, among other things, each holder of Yangarra Shares will receive one common share ("**Amalco Share**") in the capital of Amalco for each 0.95 Yangarra Shares and each holder of TriOil Shares will receive one (1) Amalco Share for each one TriOil Share.

1.2 Notwithstanding the foregoing, the completion of the Transaction is subject to various conditions as set forth in the Amalgamation Agreement, which conditions are for the exclusive benefit of TriOil and/or Yangarra, which TriOil and/or Yangarra has the right, in its sole discretion, to waive in

whole or in part, or to rely on in connection with termination of the Amalgamation Agreement and this agreement and their respective obligations to complete the Transaction.

## 2. Agreement to Vote

2.1 Subject to the terms and conditions hereof, the Shareholder hereby irrevocably agrees to vote (and to provide evidence thereof to Yangarra within 10 days prior to the meeting of TriOil's shareholders at which the Amalgamation is considered), all of the TriOil Shares and, if required, TriOil Options and TriOil Warrants that the Shareholder beneficially owns or over which it exercises control or direction (the "**Presently Held Securities**") and any additional TriOil Shares that the Shareholder may hereafter become the beneficial owner of or exercise control or direction over (including any such TriOil Shares issued on exercise of any TriOil Options or TriOil Warrants) (the "**After Acquired Securities**") (the Presently Held Securities and the After Acquired Securities, collectively, the "**Subject Securities**") in favour of the Transaction and any other matters proposed by TriOil that are necessary or desirable to complete the Transaction and not withdraw any proxies or change the vote in respect thereof, except as provided herein.

## 3. Representations, Warranties and Covenants of the Shareholder

3.1 The Shareholder represents and warrants to Yangarra, and acknowledges that Yangarra is relying upon such representations and warranties in entering into this agreement that:

- (a) the Shareholder has good and sufficient power, authority and right to enter into this agreement and to complete the transactions contemplated hereby;
- (b) assuming the due execution and delivery of this agreement by Yangarra, this agreement is a legal, valid and binding obligation of the Shareholder enforceable by Yangarra against the Shareholder in accordance with its terms subject to the limitation that the enforceability of any waiver of statutory rights may be limited by applicable law, and the consummation by the Shareholder of the transactions contemplated hereby will not constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which the Shareholder is a party or by which the Shareholder is bound;
- (c) the Shareholder is the beneficial owner of, or exercises control or direction over, the Presently Held Securities and will, upon deposit of same under the Transaction, hold such securities free and clear of all liens, charges, encumbrances, security interests and other rights of others whatsoever and the Shareholder has, or in the case of the After Acquired Securities will have, good and sufficient power, authority and right to exercise all voting rights in respect of the Subject Securities; and
- (d) the Presently Held Securities represent all of the TriOil Shares beneficially owned or over which the Shareholder exercises control or direction and the Shareholder does not hold any other rights to acquire any TriOil Shares, other than the TriOil Options and the TriOil Warrants.

The foregoing representations and warranties will be true and correct on the date hereof and on the date of completion of the Transaction.

3.2 The Shareholder covenants and agrees with Yangarra that so long as the Shareholder is required to vote the Subject Securities in favour of the Transaction hereunder, the Shareholder will not, and will use its reasonable best efforts to cause its representatives and advisors not to, directly or indirectly:

- (a) solicit, initiate, invite, encourage or continue any inquiries or proposals from, or negotiations with, any person, company or other entity (other than Yangarra) relating to the purchase of TriOil Shares or any other securities of TriOil, any amalgamation, merger or other form of business combination involving TriOil, any sale, lease, exchange or transfer of any material assets of TriOil, or any take-over bid, reorganization, recapitalization, liquidation or winding-up of or other business combination or other transaction involving TriOil with any person other than Yangarra or any of its affiliates (a “**Proposed Transaction**”); or
- (b) enter into any agreement, discussions or negotiations with any person, company or other entity other than Yangarra or any of its affiliates with respect to a Proposed Transaction or a potential Proposed Transaction;
- (c) furnish or cause to be furnished any non-public information concerning the business, results of operations, assets, liabilities, prospects, financial condition or affairs of TriOil to any person, company or other entity other than Yangarra and its representatives, other than as disclosed prior to the date hereof.

and provided that the continued solicitation and consideration by the board of directors of TriOil of any alternative acquisition proposal consistent with the Amalgamation Agreement shall not constitute a violation of this covenant and provided that if the Shareholder is a director or officer of TriOil, the foregoing provisions of this Section 3.2 shall not restrict the Shareholder from discharging his or her fiduciary duties as provided in the Amalgamation Agreement and provided such action is also permitted by the Amalgamation Agreement.

3.3 The Shareholder covenants and agrees with Yangarra that so long as the Shareholder is required to vote the Subject Securities in favour of the Transaction hereunder, that:

- (a) it will notify Yangarra promptly if any such discussions or negotiations are sought or if any proposal in respect of a Proposed Transaction is received, being considered or indicated to be forthcoming;
- (b) except as contemplated herein, or to a person who is bound by the terms of an agreement with Yangarra in the same form as this agreement, it shall not sell, assign, convey, otherwise dispose of or pledge, charge, encumber or grant a security interest in or grant to any other person any interest in any of the Subject Securities;
- (c) it shall not exercise any shareholder rights or remedies available at common law or pursuant to applicable securities or corporate laws to delay, hinder, upset or challenge the Transaction;
- (d) it shall exercise all voting rights attached to the Subject Securities to vote against any resolution to be considered by the securityholders of TriOil that, if approved, could reasonably be considered to reduce the likelihood of the completion of the Transaction;
- (e) it shall enter into such escrow arrangements in connection with the Transaction as may be required by the TSX Venture Exchange Inc.; and
- (f) it shall use its reasonable best efforts to cause TriOil to perform its obligations under the Amalgamation Agreement, to the extent such is within its power.

#### **4. Representations and Warranties of Yangarra**

4.1 Yangarra represents and warrants to the Shareholder, and acknowledges that the Shareholder is relying upon such representations and warranties in entering into this agreement, that:

- (a) it has good and sufficient power, authority and right to enter into this agreement and, subject to the terms and conditions of the Amalgamation Agreement, to complete the transactions contemplated hereby; and
- (b) upon the due execution and delivery of this agreement by the Shareholder, this agreement is a legal, valid and binding obligation of Yangarra enforceable by the Shareholder against Yangarra in accordance with its terms, and the consummation by it of the transactions contemplated hereby will not constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which it is a party or by which it is bound.

The foregoing representations and warranties will be true and correct on the date hereof and on the date of completion of the Amalgamation.

#### **5. Termination**

5.1 The obligations hereunder of the Shareholder shall terminate at the option of the Shareholder upon written notice given by the Shareholder to Yangarra:

- (a) if the Amalgamation Agreement is terminated in accordance with its terms other than as a result of any act or omission on the part of the Shareholder; or
- (b) if the Transaction is not completed on or before November 15, 2005.

5.2 The obligations hereunder of Yangarra shall terminate at the option of Yangarra upon written notice given by Yangarra to the Shareholder:

- (a) if the Shareholder has breached or failed to perform and satisfy any of its covenants or agreements herein contained in a material respect or any of the representations and warranties of the Shareholder contained herein are not true and correct in a material respect; or
- (b) if the Amalgamation Agreement is terminated in accordance with its terms.

5.3 In the event of the termination of this agreement as provided in sections 5.1 and 5.2 above, this agreement shall forthwith become void and of no further force or effect and there shall be no liability on the part of any party hereto, provided that the foregoing shall not relieve any Party from any liability for any breach of this agreement.

#### **6. Regulatory Approvals**

6.1 The Shareholder covenants that, so long as the Shareholder is required to vote the Subject Securities in favour of the Transaction, the Shareholder shall, acting reasonably, at TriOil's or Yangarra's cost, co-operate with Yangarra in obtaining all governmental and regulatory approvals required to permit Yangarra to complete the Transaction in accordance with its terms.

**7. Public Disclosure**

7.1 The Shareholder agrees not to make any public disclosure or announcement of or pertaining to this agreement, the Amalgamation Agreement or the Transaction nor to disclose that any discussions or negotiations are taking place in connection therewith without the prior written consent of Yangarra, except as required by law.

**8. Amendments and Assignment**

8.1 This agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties hereto. No Party to this agreement may assign any of its rights or obligations under this agreement without the prior written consent of the other Party.

**9. Time**

9.1 Time shall be of the essence of this agreement.

**10. Survival**

10.1 The representations, warranties and covenants of the Shareholder and of Yangarra herein shall survive the consummation of the Transaction and the completion of the Amalgamation.

**11. Successors and Assigns**

11.1 This agreement shall be binding upon, enure to the benefit of and be enforceable by the Shareholder, Yangarra and their respective successors and permitted assigns.

**12. Notice**

12.1 Any notice or other communication required or permitted to be given hereunder shall be sufficiently given if delivered:

- (a) in the case of the Shareholder, to the address appearing on the first page of this letter; and
- (b) in the case of Yangarra, to Suite 1530, 715 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2X6 (fax no. (403) 262-8284).

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.

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**14. Acceptance**

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Yours very truly,

**YANGARRA RESOURCES INC.**

Per: \_\_\_\_\_

*In consideration of your entering into of the Amalgamation Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Shareholder hereby irrevocably accepts the foregoing as of the \_\_\_\_\_ day of \_\_\_\_\_, 2005.*

\_\_\_\_\_  
(Signature of Shareholder)

\_\_\_\_\_  
(Name of Shareholder - please print)

\_\_\_\_\_  
(Number of TriOil Shares beneficially held or controlled)

\_\_\_\_\_  
(Number of TriOil Warrants beneficially held or controlled)

\_\_\_\_\_  
(Number of TriOil Options held)