

UNDERWRITING AGREEMENT

February 27, 2003

Real Resources Inc.
Suite 700, 555 – 4th Avenue S.W.
Calgary, Alberta
T2P 3E7

Attention: **Mr. Lowell E. Jackson,**
 President and Chief Executive Officer

Dear Sirs:

Re: Offering of 3,100,000 Common Shares

Peters & Co. Limited, Yorkton Securities Inc., FirstEnergy Capital Corp. and Griffiths McBurney & Partners (the "**Underwriters**") understand that Real Resources Ltd. (the "**Real**" or the "**Corporation**") proposes to issue and sell 3,100,000 common shares of the Corporation (generally, the "**Common Shares**", and, in respect of those 3,100,000 Common Shares, the "**Offered Shares**").

Subject to the terms and conditions hereof, the Underwriters hereby severally, and not jointly, agree to purchase from the Corporation the Offered Shares at the Closing Time (as herein defined) in the respective percentages set forth in section 18, and the Corporation hereby agrees to issue and sell to the Underwriters at the Closing Time all, but not less than all, of the Offered Shares at the purchase price of \$4.95 per Offered Share for an aggregate purchase price of \$15,345,000.

The Underwriters shall be entitled (but not obligated) in connection with the offering and sale of the Offered Shares to retain as sub-agents other registered securities dealers and may receive subscriptions for Offered Shares from subscribers from other registered dealers. The fee payable to any such sub-agent shall be for the account of the Underwriters.

1. Definitions

In this agreement:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**AIF**" means the initial annual information form of the Corporation dated November 21, 2002;
- (c) "**Applicable Securities Laws**" means all applicable securities, corporate and other laws, rules, regulations, notices and policies in the Qualifying Provinces;
- (d) "**ASC**" means the Alberta Securities Commission;
- (e) "**Business Day**" means a day which is not Saturday or Sunday or a legal holiday in the City of Calgary, Alberta;
- (f) "**Closing Date**" means March 21, 2003 or such other date as may be agreed to by the Underwriters and the Corporation;

- (g) "**Closing Time**" means 6:45 a.m. (Calgary time) or such other time, on the Closing Date, as the Underwriters and the Corporation may agree;
- (h) "**Corporation's auditors**" means PricewaterhouseCoopers LLP, chartered accountants, Calgary, Alberta;
- (i) "**Corporation's counsel**" means Blake, Cassels & Graydon LLP or such other legal counsel as the Corporation, with the consent of the Underwriters, may appoint;
- (j) "**Documents**" means, collectively, the documents incorporated by reference in the Prospectuses and any Supplementary Material including, without limitation:
 - (i) the AIF, including management's discussion and analysis of the financial condition and operations of the Corporation for the years ended December 31, 2001 and 2000, incorporated by reference therein;
 - (ii) the audited comparative financial statements of the Corporation as at and for the years ended December 31, 2001 and 2000, together with the notes thereto and the auditors' report thereon;
 - (iii) the Corporation's information circular-proxy statement dated April 8, 2002 for the annual general and special meeting of Shareholders held on May 5, 2002 (excluding those portions under the headings "Report on Executive Compensation", "Share Performance Graph" and "Statement of Corporate Governance Practices");
 - (iv) the unaudited comparative financial statements of the Corporation and management's discussion and analysis of the financial condition and operations of the Corporation as at and for the nine month period ended September 30, 2002 and 2001;
- (k) "**final MRRS Decision Document**" means the decision document issued in accordance with the Mutual Reliance Review System evidencing that final receipts for the Prospectus have been issued for each of the Qualifying Provinces;
- (l) "**Financial Statements**" means, collectively:
 - (i) the audited comparative financial statements of the Corporation and management's discussion and analysis of the financial condition and operations of the Corporation as at and for the years ended December 31, 2001 and 2000, together with the notes thereto and the auditors' report thereon; and
 - (ii) the unaudited comparative consolidated financial statements of the Corporation and management's discussion and analysis of the financial condition and operations of the Corporation as at and for the nine month periods ended September 2002 and 2001, as at and for the six month periods ended June 30, 2002 and 2001 and as at and for the three month periods ended March 31, 2002 and 2001;
- (m) "**Material Subsidiaries**" means Belmont Energy Ltd., Real Oil & Gas Corp. and Real Resources (a general partnership) and any other subsidiary of the Corporation, the total assets of which constitute more than 5% of the consolidated assets of the Corporation as at December 31, 2002 or the total revenues of which constitute more than 5% of the consolidated revenues of the Corporation for the year ended December 31, 2002;
- (n) "**MRRS Procedures**" means the mutual reliance review system and procedures provided for by National Policy 43-201 of the Canadian Securities Administrators relating to the Mutual Reliance Review System, as amended or replaced;
- (o) "**Mutual Reliance Review System**" means the mutual reliance review system provided for under National Policy 43-201 of the Canadian Securities Administrators;

- (p) "**NI 44-101**" means National Instrument 44-101 of the Canadian Securities Administrators, as amended;
- (q) "**Paddock**" means Paddock Lindstrom & Associates Ltd., independent engineering consultants;
- (r) "**preliminary MRRS Decision Document**" means the decision document issued in accordance with the Mutual Reliance Review System evidencing that receipts for the Preliminary Prospectus have been issued in each of the Qualifying Provinces;
- (s) "**Preliminary Prospectus**" means the preliminary short form prospectus of the Corporation to be dated March 3, 2003 and any amendments thereto, in respect of the distribution of the Offered Shares, in the English and French languages, including the documents incorporated by reference therein;
- (t) "**Prospectus**" means the (final) short form prospectus of the Corporation and any amendments thereto, in respect of the distribution of the Offered Shares, in the English and French languages, including the documents incorporated by reference therein;
- (u) "**Prospectuses**" means, collectively, the Preliminary Prospectus and the Prospectus;
- (v) "**Public Record**" means all information filed by or on behalf of the Corporation and its predecessor entities, including without limitation, the Documents, the Financial Statements, the Prospectus, any Supplementary Material and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws;
- (w) "**Qualifying Provinces**" means all of the provinces of Canada;
- (x) "**Securities Commissions**" means the securities commissions or similar regulatory authorities in the Qualifying Provinces;
- (y) "**Selling Dealer Group**" means the dealers and brokers other than the Underwriters who participate in the offer and sale of the Offered Shares pursuant to this agreement;
- (z) "**subsidiary**" has the meaning ascribed thereto in the ABCA;
- (aa) "**Supplementary Material**" means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemented Preliminary Prospectus or Prospectus or any ancillary material, information, evidence, return, report, application, statement or document which may be filed by or on behalf of the Corporation under the Applicable Securities Laws;
- (bb) "**Tax Act**" means the Income Tax Act (Canada) and the regulations thereunder;
- (cc) "**TSX**" means the Toronto Stock Exchange;
- (dd) "**Underwriters' counsel**" means Burnet, Duckworth & Palmer LLP or such other legal counsel as the Underwriters, with the consent of the Corporation, may appoint;
- (ee) "**Wrap**" means the confidential information memorandum in respect of the distribution of the Offered Shares to certain investors in the United States, in respect of both the Preliminary Prospectus and the Prospectus; and
- (ff) "**misrepresentation**", "material change" and "material fact" shall have the meanings ascribed thereto under the Applicable Securities Laws, "distribution" means "distribution" or "distribution to the public", as the case may be, as defined under the Applicable Securities Laws and "distribute" has a corresponding meaning.

2. Underwriting Fee

In consideration for their services in underwriting the distribution of and purchasing the Offered Shares, the Corporation agrees to pay to the Underwriters at the Closing Time a fee (the "**Underwriting Fee**") of \$0.2475 per Offered Share for each Offered Share purchased (being an aggregate amount of \$767,250). The Underwriting Fee may, at the sole option of the Underwriters, be deducted from the aggregate gross proceeds of the sale of the Offered Shares and withheld for the account of the Underwriters.

3. Qualification for Sale

- (a) The Corporation represents and warrants to the Underwriters that it is eligible to use the prompt offering qualification system described in NI 44-101 and the simplified prospectus rules of the Securities Act (Québec) for the distribution of the Offered Shares.
- (b) The Corporation shall elect and comply in all material respects with Mutual Reliance Review System and in connection therewith shall:
 - (i) not later than 5:00 p.m. (Calgary time) on March 3, 2003, have:
 - (A) prepared and filed under the Mutual Reliance Review System the Preliminary Prospectus (in the English and French languages) and other documents required under the Applicable Securities Laws with the Securities Commissions and designated the ASC as the principal regulator; and
 - (B) obtained a preliminary MRRS Decision Document from the ASC, evidencing that a receipt has been issued for the Preliminary Prospectus in each Qualifying Province;
 - (ii) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions, but not later than 5:00 p.m. (Calgary time) March 13, 2003 (or such later date as may be agreed to in writing by the Corporation and the Underwriters), have:
 - (A) prepared and filed the Prospectus (in the English and French languages) and other documents required under the Applicable Securities Laws with the Securities Commissions; and
 - (B) obtained a final MRRS Decision Document from the ASC, evidencing that a receipt has been issued for the Prospectus in each Qualifying Province, or otherwise obtained a receipt for the Prospectus from each of the Securities Commissions;

and otherwise fulfilled all legal requirements to enable the Offered Shares to be offered and sold to the public in each of the Qualifying Provinces through the Underwriters or any other investment dealer or broker registered in the applicable Qualifying Province; and
 - (iii) until the completion of the distribution of the Offered Shares, promptly take all additional steps and proceedings that from time to time may be required under the Applicable Securities Laws in each Qualifying Province to continue to qualify the Offered Shares for distribution.
- (c) Prior to the filing of the Prospectuses and, during the period of distribution of the Offered Shares, prior to the filing with any Securities Commissions of any Supplementary Material, the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of, and to approve the form of (such approval not to be unreasonably withheld), such documents and to have reviewed any documents incorporated by reference therein.
- (d) During the period from the date hereof until completion of the distribution of the Offered Shares, the Corporation shall allow the Underwriters to conduct all due diligence which they may reasonably require in

order to fulfil their obligations as underwriters and in order to enable the Underwriters responsibly to execute the certificates required to be executed by them in the Prospectuses or in any Supplementary Material.

- (e) The Corporation shall take or cause to be taken all such other steps and proceedings, including fulfilling all legal, regulatory and other requirements, as required under Applicable Securities Laws to qualify the Offered Shares for distribution to the public in the Qualifying Provinces.

4. Delivery of Prospectus and Related Documents

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

- (a) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of each of the Preliminary Prospectus and the Prospectus:
 - (i) copies of the Preliminary Prospectus and the Prospectus, each in the English and French languages, signed as required by the Applicable Securities Laws of the Qualifying Provinces; and
 - (ii) copies of any documents incorporated by reference therein which have not previously been delivered to the Underwriters;
- (b) as soon as they are available, copies of any Supplementary Material, in the English and French languages, as required, signed as required by the Applicable Securities Laws and including, in each case, copies of any documents incorporated by reference therein which have not been previously delivered to the Underwriters;
- (c) prior to the filing of the Prospectus with the Securities Commissions, a "comfort letter" in form and substance satisfactory to the Underwriters and the Underwriters' counsel, acting reasonably, from the Corporation's auditors, dated the date of the Prospectus, addressed to the Underwriters and reasonably satisfactory in form and substance to the Underwriters and the Underwriters' counsel, with respect to the financial and accounting information contained in or incorporated by reference into the Prospectus which comfort letter shall be based on the Corporation's auditors review having a cut-off date of not more than two Business Days prior to the date of the Prospectus (and the Underwriters shall be provided with a draft form of such comfort letter in form and substance satisfactory to the Underwriters and the Underwriters' counsel prior to filing of the Preliminary Prospectus and the final form of such comfort letter shall be substantially in the form of such draft approved by the Underwriters and the Underwriters' counsel);
- (d) at the respective times of delivery to the Underwriters of the Preliminary Prospectus and the Prospectus, the Corporation shall deliver to the Underwriters:
 - (i) an opinion of local counsel in Québec, addressed to the Underwriters and the Underwriters' counsel and dated at the date of the filing of the Preliminary Prospectus and the Prospectus, respectively, in form acceptable to the Underwriters and the Underwriters' counsel, acting reasonably, to the effect that, except for any financial statements and financial information which are subject to the opinion of the Corporation's auditors referred to in subsection 4(d)(ii) (as to which no opinion need be expressed by local Quebec counsel), the French language version of such document (including information incorporated by reference therein) is in all material respects a complete and proper translation of the English language versions thereof and is not susceptible to any materially different interpretation with respect to any material matter contained therein; and
 - (ii) an opinion from each of the Corporation's auditors, addressed to the Underwriters and the Underwriters' counsel and dated the date of the filing of the Preliminary Prospectus and the Prospectus, respectively, in form acceptable to the Underwriters and the Underwriters' counsel, acting reasonably, to the effect that the information excepted from the opinion of counsel referred to in subsection 4(d)(i) in the French language version of such document (including information

incorporated by reference therein) is in all material respects a complete and proper translation of the information contained in the English language versions thereof and is not susceptible to any materially different interpretation with respect to any material matter contained therein.

Opinions and comfort letters similar to the foregoing shall be provided to the Underwriters with respect to any Supplementary Material and any other relevant document at the time the same is presented to the Underwriters for their signature or, if the Underwriters' signature is not required, at the time the same is filed. All such letters shall be in form and substance acceptable to the Underwriters and the Underwriters' counsel, acting reasonably.

The deliveries referred to in subsections 4(a) and (b) shall also constitute the Corporation's consent to the use by the Underwriters and other members of the Selling Dealer Group of the Documents, the Prospectuses and any Supplementary Material in connection with the offering and sale of the Offered Shares.

5. Commercial Copies

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

6. Material Change

- (a) During the period of distribution of the Offered Shares, the Corporation will promptly inform the Underwriters of the full particulars of:
 - (i) any material change (actual, anticipated or threatened) in or affecting the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or its subsidiaries;
 - (ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus or any Supplementary Material (other than any matter relating solely to any of the Underwriters); and
 - (iii) the occurrence of a material fact or event, which, in any such case, is, or may be, of such a nature as to:
 - (A) render the Preliminary Prospectus, the Prospectus or any Supplementary Material untrue, false or misleading in any material respect;
 - (B) result in a misrepresentation in the Preliminary Prospectus, the Prospectus or any Supplementary Material; or
 - (C) result in the Preliminary Prospectus, the Prospectus or any Supplementary Material not complying in any material respect with the Applicable Securities Laws,

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

- (b) During the period of distribution of the Offered Shares, the Corporation will promptly inform the Underwriters of the full particulars of:
 - (i) any request of any Securities Commission for any amendment to the Preliminary Prospectus, the Prospectus or any other part of the Public Record or for any additional information;
 - (ii) the issuance by any Securities Commission or similar regulatory authority, the TSX or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose; and
 - (iii) the receipt by the Corporation of any communication from any Securities Commission or similar regulatory authority, the TSX or any other competent authority relating to the Preliminary Prospectus, the Prospectus, any other part of the Public Record or the distribution of the Offered Shares.
- (c) The Corporation will promptly comply to the reasonable satisfaction of the Underwriters and the Underwriters' counsel with Applicable Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in subsections 6(a) or (b) above and the Corporation will prepare and file promptly at the Underwriters' request any amendment to the Prospectus or Supplementary Material as may be required under Applicable Securities Laws; provided that the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of any Supplementary Material, to have reviewed any other documents incorporated by reference therein and conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters responsibly to execute the certificate required to be executed by them in, or in connection with, any Supplementary Material, such approval not to be unreasonably withheld and to be provided in a timely manner. The Corporation shall further promptly deliver to each of the Underwriters and the Underwriters' counsel a copy of each Supplementary Material in the English and French languages as filed with the Securities Commissions, and of opinions and letters with respect to each such Supplementary Material substantially similar to those referred to in section 4 above.
- (d) During the period of distribution of the Offered Shares, the Corporation will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to filing or issuance:
 - (i) any financial statement of the Corporation;
 - (ii) any proposed document, including without limitation any amendment to the AIF, new annual information form, material change report, interim report, or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus; and
 - (iii) any press release of the Corporation.

7. Representations and Warranties of the Corporation

- (a) Each delivery of the Preliminary Prospectus, the Prospectus or any Supplementary Material pursuant to section 4 above shall constitute representation and warranty to the Underwriters by the Corporation (and the Corporation hereby acknowledges that each of the Underwriters is relying on such representations and warranties in entering into this agreement) that:

- (i) all of the information and statements (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus or Prospectus) contained in the Preliminary Prospectus, the Prospectus or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference, as the case may be:
 - (A) are at the respective dates of such documents, true and correct in all material respects;
 - (B) contain no misrepresentation; and
 - (C) constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Shares;
 - (ii) the Preliminary Prospectus, the Prospectus, or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference, as the case may be, complies in all material respects with the Applicable Securities Laws, including without limitation NI 44-101 and the simplified prospectus rules of the Securities Act (Québec); and
 - (iii) except as is disclosed in the Public Record, there has been no intervening material change (whether financial or otherwise), from the date of the Preliminary Prospectus, the Prospectus and any Supplementary Material to the time of delivery thereof, in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation.
- (b) In addition to the representations and warranties contained in subsection (a) hereof, the Corporation represents and warrants to the Underwriters, and acknowledges that each of the Underwriters is relying upon such representations and warranties in entering into this agreement, that:
- (i) each of the Corporation and each of its Material Subsidiaries (other than Real Resources) has been duly incorporated or amalgamated and organized and is valid and subsisting under the laws of the jurisdiction of its incorporation or amalgamation and has all requisite corporate authority and power to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own its properties and assets;
 - (ii) each of the Corporation and each of its Material Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
 - (iii) the Corporation has no Material Subsidiaries other than Belmont Energy Ltd., Real Oil & Gas Corp. and Real Resources and has no other subsidiaries and the Corporation is not affiliated with, nor is it a holding corporation of, any other body corporate;
 - (iv) Real Resources is a duly formed as a general partnership under the laws of the province of Alberta, the sole partners of which are the Corporation, Belmont Energy Ltd. and Real Oil & Gas Corp. and the managing partner of Real Resources is the Corporation;
 - (v) the Corporation has full corporate power and authority to issue the Offered Shares and, at the Closing Date, the Offered Shares will be duly and validly authorized, allotted and reserved for issuance and will, upon receipt of full payment therefor, be validly issued as fully paid and non-assessable shares;
 - (vi) neither the Corporation nor any of its Material Subsidiaries is in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this agreement and the performance of any of the transactions contemplated hereby by the Corporation, do not and will not result in any breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a

breach of or constitute a default under, any applicable laws or any term or provision of the articles, by-laws or resolutions of the directors or shareholders of the Corporation or of the Material Subsidiaries, or any mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or the Material Subsidiaries is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to the Corporation or the Material Subsidiaries, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation (taken as a whole) or its properties or assets;

- (vii) the Corporation has full corporate power and authority to enter into this agreement and to perform its obligations set out herein and therein, and this agreement has been duly authorized, executed and delivered by the Corporation, and this agreement creates legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with its terms subject to the general qualifications that:
 - (A) the enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting creditors' rights generally;
 - (B) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;
 - (C) the equitable or statutory powers of the courts in Canada having jurisdiction to stay proceedings before them and the execution of judgments; and
 - (D) rights to indemnity hereunder may be limited under applicable law;
- (viii) there has not been any material change in the assets, liabilities or obligations (absolute, contingent or otherwise) of the Corporation on a consolidated basis from the position set forth in the Financial Statements other than as disclosed in the Documents and publicly disseminated and there has not been any adverse material change in the business, operations, capital or condition (financial or otherwise) or results of the operations of the Corporation or of any Material Subsidiary since December 31, 2001; and since that date there have been no material facts, transactions, events or occurrences which could materially adversely affect the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations or condition (financial or otherwise) or results of the operations of the Corporation or of any Material Subsidiary which have not been publicly disclosed;
- (ix) the Financial Statements fairly present, in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition of the Corporation at the dates thereof and the results of the operations of the Corporation for the periods then ended and reflect, in accordance with generally accepted accounting principles in Canada, all assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof;
- (x) there are no actions, suits, proceedings or inquiries, including, to the best of the Corporation's knowledge, information and belief, after due inquiry, pending or threatened against or affecting any Corporation or any Material Subsidiary at law or in equity or before or by any court or any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the assets, business, operations or condition (financial or otherwise) of the Corporation (taken as a whole) or which affects or may affect the distribution of the Offered Shares;
- (xi) neither the Corporation nor any subsidiary of the Corporation is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in

accordance with the by-laws of the Corporation or its subsidiaries and applicable laws) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;

- (xii) other than as disclosed in the Documents, neither the Corporation nor its subsidiaries have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation or its subsidiaries that are currently outstanding;
- (xiii) the information and statements set forth in the Documents and the Public Record, as it relates to the Corporation and the Material Subsidiaries, were true, correct, and complete and did not contain any misrepresentation, as of the respective dates of such information or statements, and the Corporation has not filed any confidential material change reports which continue to be confidential;
- (xiv) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, of which 20,348,193 Common Shares of the Corporation only are outstanding, which shares are validly issued and fully paid and non-assessable shares;
- (xv) other than options to purchase 1,540,688 Common Shares held by directors, officers, employees and consultants of the Corporation and the outstanding potential obligation to issue Common Shares pursuant to the acquisition by the Corporation of Belmont Energy Ltd., as at the date hereof, no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of the Corporation;
- (xvi) the Corporation is the legal and beneficial owner of all of the outstanding shares and other securities of each of the Material Subsidiaries (other than Real Resources, which is a general partnership) and no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of such subsidiaries or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any issued or unissued shares or other securities of such subsidiary;
- (xvii) with such exceptions as are not material to the Corporation or any Material Subsidiary, each of the Corporation and each Material Subsidiary has duly and on a timely basis filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments and re-assessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any Material Subsidiary and, to the knowledge of the Corporation as of the date of this agreement, there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or any Material Subsidiary in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;
- (xviii) the issued and outstanding Common Shares are listed and posted for trading on the TSX and the Corporation is in compliance with the rules and regulations of the TSX in all material respects;

- (xix) the minute books of the Corporation and of each Material Subsidiary are true and correct and contain the minutes of all meetings and all the resolutions of directors and shareholders thereof (except those currently being circulated in draft form or as otherwise disclosed by the Corporation to the Underwriters);
- (xx) the Corporation is a "reporting issuer" in various provinces of Canada, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, within the meaning of the Applicable Securities Laws in such provinces and is not in default of any requirements of Applicable Securities Laws thereof;
- (xxi) Computershare Trust Company of Canada at its principal office in the cities of Calgary and Toronto is the duly appointed registrar and transfer agent of the Corporation with respect to the Common Shares;
- (xxii) each of the Corporation and each Material Subsidiary has conducted and is conducting its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirement of any governmental or regulatory bodies applicable to each of the Corporation and each Material Subsidiary of each jurisdiction in which it carries on business (except to the extent that the failure to so comply would not have a material adverse effect on the Corporation or any Material Subsidiary) and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of the Corporation and each Material Subsidiary (other than those, the failure of which to so hold, would not have a material adverse effect on the business of the Corporation or of any Material Subsidiary, as now conducted or proposed to be conducted), as now conducted and as presently proposed to be conducted, and all such licenses, registrations or qualifications are valid and existing and in good standing and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation or of any Material Subsidiary, as now conducted or as proposed to be conducted;
- (xxiii) any and all operations of the Corporation and the Material Subsidiaries and, to the best of the Corporation's knowledge, any and all operations by third parties, on or in respect of the material assets and properties of the Corporation and the Material Subsidiaries, have been conducted in accordance with good oilfield practices;
- (xxiv) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on the Corporation as a whole, in respect of each of the Corporation and its subsidiaries:
 - (A) it is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "Environmental Laws");
 - (B) it has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
 - (C) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or its subsidiary at have not been remedied;
 - (D) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or its subsidiary;

- (E) it has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("Government Authority") the occurrence of any event which is required to be so reported by any Environmental Law; and
- (F) it holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the Corporation; or (B) reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), the Corporation has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated.
- (xxv) no Securities Commission, the Exchange or any other securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of the Corporation nor is the Corporation aware of any pending or threatened proceeding, action or investigation in respect thereof;
- (xxvi) to the knowledge of the Corporation, no director or senior officer of the Corporation, nor, to the knowledge of the Corporation, without inquiry, any other insider of the Corporation, has a present intention to sell any securities of the Corporation held by it;
- (xxvii) the Corporation made available to Paddock, prior to the issuance of its reports dated October 25, 2002 and effective September 30, 2002 and its reports dated February 3, 2003 and effective December 31, 2002 with respect to the Corporation's crude oil, natural gas and natural gas liquids reserves (collectively, the "Reserve Report"), for the purpose of preparing the Reserve Report, all information requested by Paddock, which information did not contain any misrepresentation at its date. The Corporation has no knowledge of a material adverse change in any information provided to Paddock since the date that such information was so provided. The Corporation believes that the Reserve Report reasonably presented the quantity and pre-tax present worth values of oil and gas reserves of the Corporation as at September 30, 2002 and December 31, 2002, as the case may be, based upon information available at the time the Reserve Report was prepared and the assumptions as to commodity prices and costs contained therein;
- (xxviii) although it does not warrant title, the Corporation is not aware of any defects, failures or impairments in the title of the Corporation or of its subsidiaries to its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse affect on: (A) the quantity and pre-tax present worth values of the oil and gas reserves of the Corporation or its subsidiary shown in the Reserve Report; (B) the current production of the Corporation (taken as a whole); or (C) the current cash-flow of the Corporation (taken as a whole);
- (xxix) other than as set forth in **Schedule "A"** hereto, there are no material contracts or agreements to which the Corporation or any Material Subsidiary is a party or by which it is bound. For the purposes of this subparagraph, any contract or agreement pursuant to which the Corporation or any Material Subsidiary will, or may reasonably be expected to result in, a requirement of the Corporation or any Material Subsidiary to expend more than an aggregate of \$1,000,000 or receive or be entitled to receive revenue of more than \$1,000,000 in either case in the next 12 months, or is out of the ordinary course of business of the Corporation or the Material Subsidiary, shall be considered to be material;

- (xxx) except as set forth in **Schedule "B"** hereto, neither the Corporation nor its subsidiaries are a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;
- (xxxi) the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agents' commission or other forms of compensation with respect to the transactions contemplated herein for which the Corporation will have any liability or obligation except as provided herein;
- (xxxii) the Corporation has not completed any "significant acquisition", "significant disposition" nor is proposing any "probable acquisitions" (as such terms are defined in NI 44-101) that would require the inclusion of any additional financial statement or pro forma financial statements in the Preliminary Prospectus or the Prospectus pursuant to Applicable Securities Laws;
- (xxxiii) the Corporation does not have in place a shareholder rights protection plan;
- (xxxiv) to its knowledge, neither the Corporation nor any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of the Corporation; and
- (xxxv) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the entering into of this agreement and, the performance of the provisions hereof and the sale and delivery of the Offered Shares, except such as may be required under the Applicable Securities Laws and which will be obtained prior to the Closing Time.

8. Indemnity

- (a) The Corporation (the "Indemnitor") shall indemnify and save harmless the Underwriters and their affiliates, shareholders, directors, officers, employees and agents (collectively the "Indemnified Parties") from and against all actual or threatened claims, actions, suits, investigations and proceedings (collectively "Proceedings") and all losses (other than loss of profit in connection with the distribution of the Offered Shares), expenses, fees, damages, obligations, payments and liabilities (collectively "Liabilities") (including without limitation all statutory duties and obligations, all amounts paid to settle any action or to satisfy any judgment or award and all legal fees and disbursements actually incurred) which now or any time hereafter are suffered or incurred by reason of any event, act or omission in any way connected, directly or indirectly, with:
 - (i) any information or statement contained in the Preliminary Prospectus, the Prospectus, any Supplementary Material or in any other document or material filed or delivered pursuant hereto (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus or Prospectus or such other part of the Public Record) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact (other than any information or fact relating solely to the Underwriters) the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;
 - (ii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus or Prospectus or such other part of the Public Record) contained in the Preliminary Prospectus, the Prospectus, any Supplementary Materials or in any other document or any other part of the Public Record filed by or on behalf of the Corporation;

- (iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Shares imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in subsection 8(a)(ii);
- (iv) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities (not based solely upon the activities or the alleged activities of the Underwriters or their banking or Selling Dealer Group members, if any) prohibiting, restricting, relating to or materially affecting the trading or distribution of the Offered Shares or any other securities of the Corporation; or
- (v) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the TSX or any representation, warranty, term or condition of this agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto;

provided that in the event and to the extent that a court of competent jurisdiction in a final judgment from which no appeal can be made or a regulatory authority in a final ruling from which no appeal can be made shall determine that such Proceedings or Liabilities resulted solely from the negligence, fraud or wilful misconduct of the Indemnified Party claiming indemnity, this indemnity shall not apply.

- (b) The Corporation hereby waives its right to recover contribution from the Underwriters with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of (i) any misrepresentation which is based upon information relating solely to the Underwriters contained in such document and furnished to the Corporation by the Underwriters expressly for inclusion in such document; or (ii) any failure by the Underwriters to provide to prospective purchasers of Offered Shares any document which the Corporation is required to provide to such prospective purchasers and which the Corporation has provided to the Underwriters to forward to such prospective purchasers provided that the Corporation shall have complied with section 6 hereof.
- (c) If any Proceeding is brought, instituted or threatened in respect of any Indemnified Party which may result in a claim for indemnification under this agreement, such Indemnified Party shall promptly after receiving notice thereof notify the Corporation, in writing, and the Corporation shall be entitled (but not required) to assume conduct of the defence thereof and retain counsel on behalf of the Indemnified Party who is satisfactory to the Indemnified Party, acting reasonably, to represent the Indemnified Party in such Proceeding and the Corporation shall pay the fees and disbursements of such counsel and all other expenses of the Indemnified Party relating to such Proceeding as incurred. Failure to so notify the Corporation shall not relieve the Corporation from liability except and only to the extent that the failure materially prejudices the Corporation. If the Corporation assumes conduct of the defence for an Indemnified Party, the Indemnified Party shall fully cooperate in the defence including without limitation the provision of documents, appropriate officers and employees to give witness statements, attend examinations for discovery, make affidavits, meet with counsel, testify and divulge all information reasonably required to defend or prosecute the Proceedings.
- (d) In any such Proceeding the Indemnified Party shall have the right to employ separate counsel and to participate in the defence thereof if:
 - (i) the Indemnified Party has been advised in writing by counsel that there may be a reasonable legal defence available to the Indemnified Party that is different from or in addition to those available to the Corporation or that a conflict of interest exists which makes representation by counsel chosen by the Corporation not advisable;

- (ii) the Indemnitor has not assumed the defence of the Proceeding and employed counsel therefor reasonably satisfactory to the Indemnified Party within ten (10) days after receiving notice thereof; or
- (iii) employment of such other counsel has been authorized by the Corporation;

in which event the fees and disbursements of such counsel (on a solicitor and his client basis) shall be paid by the Corporation. It being understood, however, that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate law firm in each jurisdiction for all such Indemnified Parties.

- (e) No admission of liability and no settlement of any Proceeding shall be made without the consent of the Indemnified Parties affected, such consent not to be unreasonably withheld. No admission of liability shall be made by an Indemnified Party without the consent of the Indemnitor, such consent not to be unreasonably withheld, and the Indemnitor shall not be liable for any settlement of any Proceeding made without their consent, such consent not to be unreasonably withheld.
- (f) If any Proceedings shall be instituted against or involving any Indemnified Party or the Corporation in respect of the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record, the Offered Shares or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation or any director or officer of the Corporation or in any matter related to the foregoing or to the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record or the Offered Shares and, in either case, any Indemnified Party is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Underwriters hereunder, any such Indemnified Party may employ their own legal counsel and the Corporation shall pay and reimburse the Indemnified Parties for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Parties in connection with such proceedings or investigation and a fee at the normal per diem rate for any director, officer or employee of the Underwriters involved in the preparation for or attendance at such proceedings or investigation.
- (g) The rights and remedies of the Indemnified Party set forth in sections 8 and 9 hereof are to the fullest extent possible in law cumulative and not alternative and the election by any Underwriter or other Indemnified Party to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any other rights and remedies.
- (h) It is the intention of the Corporation constitute each of the Underwriters as trustee for the Indemnified Parties for the purposes of Sections 8 and 9 hereof and the Underwriters, or any of them, shall be entitled, as trustee, to enforce such covenants on behalf of any other Indemnified Parties.
- (i) The Indemnifying Parties waive any right they may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or claim or to claim payment from any other person before claiming under this indemnity. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.

9. Contribution

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this agreement is due in accordance with its terms but is (in whole or in part), for any reason, held by a court to be unavailable from one or more of the Indemnifying Parties on grounds of policy or otherwise, the Indemnifying Parties and the party or parties seeking indemnification shall contribute to the aggregate Liabilities (or Proceedings in respect thereof) to which they may be subject or which they may suffer or incur:

- (a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand, and by the Underwriters on the other hand, from the offering of the Offered Shares; or
- (b) if the allocation provided by subsection 9(a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in subsection 9(a) above but also to reflect the relative fault of the Underwriters on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters. In the case of liability arising out of the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record, the relative fault of the Corporation, on the one hand, and of the Underwriters, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 8 relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of, one or more of the Indemnifying Parties or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 8.

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

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

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

The obligations under the indemnity and right of contribution provided herein shall apply whether or not the transactions contemplated by this agreement are completed and shall survive the completion of the transactions contemplated under this agreement and the termination of this agreement.

10. Expenses

Whether or not the transactions contemplated herein shall be completed, all costs and expenses (including applicable goods and services tax) of or incidental to the transactions contemplated hereby including, without limitation, those relating to the distribution of the Offered Shares shall be borne by the Corporation including, without limitation, all costs and expenses of or incidental to the preparation, filing, reproduction (including the commercial copies thereof) and translation of the Preliminary Prospectus, the Prospectus and any Supplementary Material and the delivery thereof to the Underwriters, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation, the fees and expenses of the Corporation's transfer agent, auditors, engineers and other outside consultants, all stock exchange listing fees, and, in total to a maximum of \$25,000 plus GST, the fees and disbursements of the Underwriters' counsel and the Underwriters' out-of-pocket expenses.

11. Termination

- (a) In addition to any other rights or remedies available to the Underwriters, the Underwriters, or any of them, may, without liability, terminate its obligations hereunder, by written notice to the Corporation, in the event that after the date hereof and at or prior to the Closing Time:
- (i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Shares is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the TSX or any other competent authority, and has not been rescinded, revoked or withdrawn;
 - (ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of its directors or senior officers is announced or commenced by any securities commission or similar regulatory authority, or by any other competent authority, or there is any change of law or the interpretation or administration thereof, if, in the sole opinion of the Underwriters, or any of them, acting reasonably, the announcement or commencement thereof or change, as the case may be, materially adversely affects the Corporation or the trading or distribution of the Common Shares or the Offered Shares;
 - (iii) there should occur any material change, change of a material fact, occurrence or event of the nature referred to in subsection 6(a) or any development that could result in a material change or change of a material fact in which, in the sole opinion of the Underwriters, or any of them, as determined by the Underwriters, or any of them, in their or its sole discretion, acting reasonably, could reasonably be expected to have a material adverse effect on the business, operations or affairs of the Corporation or the market price or value or the marketability of the Offered Shares;
 - (iv) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which, in the sole opinion of the Underwriters, or any one of them, acting reasonably, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation;
 - (v) the Underwriters, or any of them, acting reasonably, determines that the Corporation shall be in breach of, default under or non-compliance with any material representation, warranty, term or condition of this agreement; or
 - (vi) the Underwriters, or any of them, shall become aware, as a result of its due diligence review or otherwise, of any adverse material change with respect to the Corporation (in the sole opinion of the Underwriters, or any of them, acting reasonably) which had not been publicly disclosed or disclosed to the Underwriters prior to the date hereof;
- (b) The Underwriters, or any of them, may exercise any or all of the rights provided for in subsection 11(a) or sections 12 or 16 notwithstanding any material change, change, event or state of facts and (except where the Underwriter purporting to exercise any of such rights is in breach of its obligations under this agreement) notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Underwriters related to the offering or continued offering of the Offered Shares for sale and any act taken by the Underwriters in connection with any amendment to the Prospectus (including the execution of any amendment or any other Supplementary Material) and the Underwriters shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to subsection 11(a) or sections 12 or 16 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

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

12. Closing Documents

The obligations of the Underwriters hereunder to purchase the Offered Shares at the Closing Time shall be conditional upon the Underwriter receiving, on the Closing Date:

- (a) favourable legal opinions of the Corporation's counsel and the Underwriters' counsel addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, with respect to such matters as the Underwriters may reasonably request relating to the offering of the Offered Shares, the Corporation and the transactions contemplated hereby, including, without limitation, that:
- (i) each of the Corporation and each of the Material Subsidiaries (other than Real Resources) has been duly incorporated or amalgamated, as the case may be, is valid and subsisting and has all requisite corporate power and authority to carry on its business as now conducted by it and to own its properties and assets and is duly registered to carry on business in all jurisdictions in which it carries on business or owns any material assets;
 - (ii) the Corporation has full corporate power and authority to enter into this agreement and to perform its obligations set out herein and therein, and this agreement have been duly authorized, executed and delivered by the Corporation and constitute legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms subject to normal qualifications including those relating to creditors' rights generally and except that rights to indemnity may be limited by applicable law;
 - (iii) the execution and delivery of this agreement and the fulfilment of the terms hereof and thereof by the Corporation, and the performance of and compliance with the terms of this agreement by the Corporation do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under, (i) any applicable laws of the Province of Alberta; (ii) any term or provision of the articles, by-laws or, of which counsel is aware, resolutions of the directors or shareholders of the Corporation, or (iii) of which counsel is aware, any mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which the Corporation is bound on the Closing Date or any judgment, decree, order, statute, rule or regulation applicable to the Corporation, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation (taken as a whole) or its properties or assets;
 - (iv) the Offered Shares have been validly issued as fully paid and non-assessable shares;
 - (v) the Offered Shares are eligible investments under the statutes set out under the heading "Eligibility for Investment" in the Prospectuses;
 - (vi) all necessary documents have been filed, all necessary proceedings have been taken and all legal requirements have been fulfilled as required under the Applicable Securities Laws of each of the Qualifying Provinces in order to qualify the Offered Shares for distribution and sale to the public in each of such Qualifying Provinces by or through investment dealers and brokers duly registered under the applicable laws of such provinces who have complied with the relevant provisions of such Applicable Securities Laws;

- (vii) the Corporation is a "reporting issuer" not in default of any requirement of the Applicable Securities Laws of various provinces of Canada including the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec;
- (viii) the Corporation has the necessary power and authority to execute and deliver the Prospectuses and all necessary action has been taken by each of the Corporation to authorize the execution and delivery by it of the Prospectuses and the filing thereof, as the case may be, in each of the Qualifying Provinces in accordance with Applicable Securities Laws;
- (ix) all laws of the Province of Québec relating to the use of the French language (other than those relating to oral communications) have been complied with in connection with the sale of the Offered Shares to purchasers in the Province of Québec;
- (x) the Offered Shares are conditionally listed and, upon notification to the TSX of the issuance and sale thereof, will be posted for trading on the TSX, subject to any applicable filing requirements;
- (xi) the authorized and issued capital of the Corporation; and
- (xii) Computershare Trust Company of Canada, at its principal offices in Calgary and Toronto, has been duly appointed the transfer agent and registrar for the Common Shares;

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

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

- (b) a certificate of the Corporation dated the Closing Date, addressed to the Underwriters and signed on behalf of the Corporation by the Chief Executive Officer and Chief Financial Officer of the Corporation or such other officers or directors of the Corporation satisfactory to the Underwriters, acting reasonably, certifying that:
 - (i) the Corporation has complied with and satisfied in all material respects all terms and conditions of this agreement on its part to be complied with or satisfied at or prior to the Closing Time;
 - (ii) the representations and warranties of the Corporation set forth in this agreement are true and correct in all material respects at the Closing Time, as if made at such time; and
 - (iii) no event of a nature referred to in subsection 11(a) has occurred or to the knowledge of such officer is pending, contemplated or threatened,

and the Underwriters shall have no knowledge to the contrary;

- (c) a comfort letter of the Corporation's auditors, addressed to the Underwriters and dated the Closing Date, as applicable, satisfactory in form and substance to the Underwriters, acting reasonably, bringing the information contained in the comfort letter or letters referred to in subsection 4(c) up to the Closing Time, which comfort letter shall be not more than two Business Days prior to the Closing Date;
- (d) evidence satisfactory to the Underwriters that the Offered Shares have been conditionally approved by the TSX for listing on the TSX, subject to filing documentation which the Corporation will be in a position to complete immediately following the Closing Time; and

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

13. Deliveries

- (a) The sale of the Offered Shares shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in section 12 and the provisions hereof, the Underwriters, on the Closing Date, shall deliver to the Corporation a certified cheque or bank draft payable to the Corporation at par in Calgary, in the amount equal to \$15,345,000 against delivery by the Corporation of:
- (i) the opinions, certificates and documents referred to in section 12;
 - (ii) definitive certificates representing, in the aggregate, all of the Offered Shares registered in such name or names as Peters & Co. Limited on behalf of the Underwriters shall notify the Corporation in writing not less than twenty-four (24) hours prior to the Closing Time; and
 - (iii) a certified cheque or bank draft payable to Peters & Co. Limited representing the Underwriting Fee provided for in section 2, being an aggregate fee of \$767,250.

14. Restrictions on Offerings

The Corporation agrees that, from the date hereof and ending on the date that is 30 days following the Closing Date that it will not offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior consent of Peters & Co. Limited, not to be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may issue Common Shares on exercise of existing instruments and obligations outstanding on date hereof and as represented herein and grant options to directors, officers, consultants or employees of the Corporation and issue Common Shares on exercise thereof subject to board approved option incentive programs, without such consent.

15. Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation, be addressed to:

Real Resources Inc.
Suite 700, 555 – 4th Avenue S.W.
Calgary, Alberta
T2P 3E7

Attention: Mr. Lowell E. Jackson,
President and Chief Executive Officer
Fax No.: (403) 262-6403

and a copy to:

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

Attention: Dallas L. Droppo, Q.C.
Fax No.: (403) 260-9700

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

Peters & Co. Limited
3900 Bankers Hall W.
888 – 3rd Street S.W.
Calgary, Alberta
T2P 3C5

Attention: Christopher S. Potter
Fax No.: (403) 261-7570

Yorkton Securities Inc.
2200, 440 – 2nd Avenue S.W.
Calgary, Alberta
T2P 5E9

Attention: Daniel J. Cristall
Fax No.: (403) 260-5782

FirstEnergy Capital Corp.
1600, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 4J7

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

Griffiths McBurney & Partners
2300, 500 – 4th Avenue S.W.
Calgary, Alberta T2P 2V6

Attention: Thomas A. Budd
Fax No.: (403) 543-3589

and a copy to:

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

Attention: Mr. C. Steven Cohen
Fax No.: (403) 260-0330

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

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

16. Conditions

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

17. Survival of Representations and Warranties

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

18. Several Liability of Underwriters

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

- (a) each of the Underwriters shall be obligated to purchase only the percentage of the total number of Offered Shares set forth opposite their names set forth in this section 18; and
- (b) if one of the Underwriters does not purchase its applicable percentage of the total number of Offered Shares, each of the other Underwriters who shall be willing and able to purchase its own applicable percentage of the total number of Offered Shares shall be relieved of its obligations hereunder, provided that, notwithstanding the provisions of paragraph (b) of this section 18, the Underwriters who shall be willing and able to purchase their applicable percentage of the total number of Offered Shares shall have the right, but not the obligation, to purchase the total number of Offered Shares.

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

Peters & Co. Limited	40%
Yorkton Securities Inc.	30%
FirstEnergy Capital Corp.	15%
Griffiths McBurney & Partners	15%
TOTAL:	100%

Nothing in this agreement shall obligate the Corporation to sell the Underwriters less than all of the Offered Shares or shall relieve any Underwriter in default from liability to the Corporation or impose any liability on any non-defaulting Underwriter in respect of the defaulting Underwriter's default hereunder.

19. Authority to Bind Underwriters

The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by Peters & Co. Limited, which shall represent the Underwriters and which shall

have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under section 8 or 9, any matter referred to in section 11 or any agreement under section 18.

20. Underwriters Covenants

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

- (a) conduct activities in connection with the proposed offer and sale of the Offered Shares in compliance with all the Applicable Securities Laws and cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of the Offered Shares;
- (b) not solicit subscriptions for the Offered Shares, trade in Offered Shares or otherwise do any act in furtherance of a trade of Offered Shares outside of the Qualifying Provinces or in such other jurisdictions outside of Canada contemplated herein or as approved by the Corporation provided that such sales are made in accordance with the applicable securities laws of such jurisdictions;
- (c) not to make use of any "green sheet" in respect of the Offered Shares or other marketing materials without the approval of such materials by the Corporation and shall comply with Applicable Securities Laws with respect to the use of "green sheets" and other marketing material during the waiting period under Applicable Securities Laws of the Qualifying Provinces including the filing of such "green sheets"; and
- (d) as soon as reasonably practicable after the Closing Date provide the Corporation with a break down of the number of Offered Shares sold in each of the Qualifying Provinces and, upon completion of the distribution of the Offered Shares, provide to the Corporation notice to that effect, if required by Applicable Securities Laws.

21. U.S. Offers

- (a) The Underwriters, severally, but not jointly, make the representation, warranties and covenants applicable to them in Schedule "C" hereto and, severally, but not jointly, agree, on behalf of themselves and their United States affiliates, for the benefit of the Corporation, to comply with the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule "C" hereto, which forms part of this agreement. They also agree to obtain such an agreement from each member of the Selling Dealer Group. Notwithstanding the foregoing provisions of this paragraph, an Underwriter will not be liable to the Corporation under this paragraph or Schedule "C" with respect to a violation by another Underwriter or by another member of the Selling Dealer Group of the provisions of this paragraph or Schedule "C" if the former Underwriter is not itself also in violation.
- (b) The Corporation represents, warrants and agrees that (i) none of the Corporation, its subsidiaries or any person acting on its or their behalf, have engaged or will engage in any directed selling efforts (within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") with respect to the Offered Shares; (ii) none of the Corporation, its subsidiaries or any person acting on its or their behalf have offered or will offer to sell any of the Offered Shares by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act); (iii) it is a "foreign issuer" within the meaning of Regulation S and reasonably believes that there is no "substantial U.S. market interest" (as such term is defined under Regulation S) in the Offered Shares; (iv) it is not required to register as an "investment company" pursuant to the provisions of the U.S. Investment Company Act of 1940; (v) at the date hereof, the Offered Shares are not (A) part of a class listed on a national securities exchange in the United States, (B) quoted in an automated inter-dealer system in the United States, or (C) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A under the Securities Act) of less than 10% for securities so listed or quoted; and (vi) for so long as any of the Offered Shares are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it shall either: (A) furnish to the United States Securities and Exchange Commission (the "**SEC**") all information required to be furnished in accordance with Rule 12g3-2(b) under the United States Securities and Exchange Act of 1934, as amended

(the "*Exchange Act*"); (B) file reports and other information with the SEC under Section 13 or 15(d) of the Exchange Act; or (C) provide to any holder of Offered Shares and any prospective purchaser of Offered Shares designated by such holder, upon the request of such holder, the information required to be provided by paragraph (d)(4) of Rule 144A.

22. Severance

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

23. Relationship Between the Corporation and the Underwriters

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

24. Stabilization

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

25. Governing Law

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

26. Time of the Essence

Time shall be of the essence of this agreement.

27. Counterpart Execution

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

28. Further Assurances

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

29. Entire Agreement

It is understood that the terms and conditions of this agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation, including the letter agreement dated February 27, 2003.

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

PETERS & CO. LIMITED

By: Signed "Christopher S. Potter"

YORKTON SECURITIES INC.

By: Signed "Daniel J. Cristall"

FIRSTENERGY CAPITAL CORP.

By: Signed "Nicholas J. Johnson"

GRIFFITHS McBURNEY & PARTNERS

By: Signed "Thomas A. Budd"

ACCEPTED AND AGREED to as of the 27th day
of February, 2003

REAL RESOURCES INC.

By: Signed "Lowell E. Jackson"

SCHEDULE "A"

LIST OF MATERIAL CONTRACTS

1. Credit facility with Canadian Imperial Bank of Commerce
2. Various oil and gas purchase agreements

SCHEDULE "B"

LIST OF EMPLOYMENT AGREEMENTS

The Corporation has entered into Change of Control Agreements (the "Agreements") with each of the following executive officers: Lowell Jackson, Kenneth Murphy, Pamela Orr and Frank Muller. The Agreements provide that, upon a change of control and in accordance with the terms and conditions of the Agreements, each executive may give notice that he/she is leaving his/her employment with the Corporation and, upon giving such notice or upon termination of the executive by the Corporation following a change of control, the executive shall be entitled to be paid one and one-half year's compensation (twenty four months' compensation for Messrs. Jackson and Murphy) along with the value of his/her benefits calculated over an 18 month period (a twenty four month period for Messrs. Jackson and Murphy).

SCHEDULE "C"

U.S. SELLING RESTRICTIONS

Capitalized terms used but not defined in this Schedule "C" shall have the meaning ascribed thereto in the underwriting agreement (the "*Underwriting Agreement*") to which this Schedule "C" is attached.

1. For the purpose of this Schedule "C", the following terms shall have the meanings indicated:
 - (a) "*Directed Selling Efforts*" means directed selling efforts as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule "C", it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities, and includes the placement of any advertisement in a publication with a "general circulation in the United States" that refers to the offering of the Securities;
 - (b) "*Foreign Issuer*" means a foreign issuer as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule "C", it means any issuer that is (a) the government of any country, or of any political subdivision of a country, other than the United States; or (b) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;
 - (c) "*General Solicitation*" and "*General Advertising*" means "general solicitation" and "general advertising", respectively, as used in Rule 502(c) of Regulation D, including, without limitation, advertisements, articles, notices or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;
 - (d) "*Qualified Institutional Buyer*" means a "qualified institutional buyer" as defined in Rule 144A;
 - (e) "*Regulation D*" means Regulation D adopted by the SEC under the U.S. Securities Act;
 - (f) "*Regulation S*" means Regulation S adopted by the SEC under the U.S. Securities Act;
 - (g) "*Rule 144A*" means Rule 144A adopted by the SEC under the U.S. Securities Act;
 - (h) "*SEC*" means the United States Securities and Exchange Commission;
 - (i) "*Securities*" means the **Offered Shares**;
 - (j) "*Selling Dealer Group*" means dealers or brokers other than the Underwriters and their U.S. affiliates who participate in the offer and sale of Securities pursuant to the Underwriting Agreement;
 - (k) "*Substantial U.S. Market Interest*" means "substantial U.S. market interest" as that term is defined in Regulation S;
 - (l) "*United States*" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
 - (m) "*U.S. Exchange Act*" means the United States Securities Exchange Act of 1934, as amended;

- (n) "**U.S. Person**" means a "U.S. person" as that term is defined in Regulation S; and
- (o) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

2. Each Underwriter, its U.S. affiliates and each member of the Selling Dealer Group acknowledges that the Securities have not been and will not be registered under the U.S. Securities Act, and have not been and will not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. Each Underwriter agrees that it, its U.S. affiliates and each member of the Selling Dealer Group will offer and sell the Securities only in accordance with Rule 903 of Regulation S or in accordance with the restrictions set forth in paragraphs 3 and 4 of this Schedule "C". Accordingly, no Underwriter, its U.S. affiliates or any Selling Dealer Group member, or any persons acting on their behalf have engaged or will engage in any Directed Selling Efforts.

Each Underwriter acknowledges that it has not entered and will not enter into any contractual arrangement with respect to the distribution of the Securities, except (i) with its affiliates, (ii) with members of the Selling Dealer Group in accordance with this paragraph 2 or (iii) otherwise with the prior written consent of the Corporation.

3. Each Underwriter represents, warrants and covenants to the Corporation that, in connection with all sales of the Securities in the United States or to, or for the account of, a U.S. Person:

- (a) its U.S. affiliates are duly registered brokers or dealers with the SEC and are members of, and in good standing with, the National Association of Securities Dealers, Inc. on the date such representation is given;
- (b) all offers and sales of the Securities in the United States will be effected by Peters & Co. Equity Inc. (the "**U.S. Placement Agent**") in accordance with all applicable U.S. broker-dealer requirements;
- (c) the U.S. Placement Agent is a Qualified Institutional Buyer;
- (d) it has not used and will not use any written material other than the Prospectuses together with the Preliminary U.S. Private Placement Memorandum and the U.S. Private Placement Memorandum (all such documents, the "**Offering Documents**"), and each offeree of the Securities in the United States has been sent a copy of the Offering Documents;
- (e) neither it nor its representatives nor the U.S. Placement Agent have used, and none of such persons will use, any form of General Solicitation or General Advertising in connection with the offer or sale of the Securities in the United States or to U.S. persons;
- (f) it will solicit, and will cause the U.S. Placement Agent to solicit, offers for the Securities in the United States only from, and will offer the Securities only to, persons it reasonably believes to be Qualified Institutional Buyers in accordance with Rule 144A. It also agrees that it will solicit offers for the Securities only from, and will offer the Securities only to, persons that in purchasing such Securities will be deemed to have represented and agreed as provided in paragraphs (4)(a) through (d) below (to the extent such representations are applicable to the purchaser concerned);
- (g) it will inform, and cause the U.S. Placement Agent to inform, all purchasers of the Securities in the United States that the Securities have not been and will not be registered under the U.S. Securities Act and are being sold to them without registration under the U.S. Securities Act in reliance on Rule 144A; and
- (h) at least one business day prior to closing, it shall cause the U.S. Placement Agent to provide Computershare Trust Company of Canada with a list of all purchasers of the Securities in the United States.

4. It is understood and agreed by the Underwriters that the Securities may be offered and resold by the Underwriters and members of the Selling Dealer Group in the United States pursuant to the provisions of Rule 144A to persons who are, or are reasonably believed by them to be, Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A and in compliance with any applicable state securities laws of the United States,

provided that prior to any such sale each purchaser shall have been provided with the Offering Documents and by purchasing Securities, each purchaser shall be deemed to have represented and warranted for the benefit of the Corporation and the Underwriters that:

- (a) it is a Qualified Institutional Buyer and acknowledges that the sale of Securities to it is being made in reliance on Rule 144A, and it is acquiring such Securities for its own account or for the account of one or more Qualified Institutional Buyers with respect to which it exercises sole investment discretion;
- (b) it understands and acknowledges that the Securities will not be and have not been registered under the Securities Act or the securities laws of any state of the United States, and are therefore "restricted securities" within the meaning of the Rule 144, and that if in the future it shall decide to resell, pledge or otherwise transfer such Securities, the same may be resold, pledged or otherwise transferred only (A) to the Corporation, (B) in the United States, in accordance with Rule 144A to a person it reasonably believes is a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer and to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A, (C) outside the United States, in accordance with Rule 904 of Regulation S and in compliance with applicable local laws and regulations, (D) in a transaction exempt from registration under the U.S. Securities Act pursuant to Rule 144 and in compliance with any applicable state securities laws of the United States, or (E) in a transaction that does not require registration under the U.S. Securities Act or any applicable United States state securities laws, and it has furnished to the Corporation an opinion of counsel of recognized standing reasonably satisfactory to the Corporation to that effect;
- (c) it understands that all Securities sold in the United States as part of this offering will bear a legend to the following effect:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF REAL RESOURCES INC. THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO REAL RESOURCES INC., (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, OR (E) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION AFTER PROVIDING A LEGAL OPINION SATISFACTORY TO REAL RESOURCES INC.

A NEW CERTIFICATE BEARING NO LEGEND MAY BE OBTAINED FROM COMPUTERSHARE TRUST COMPANY OF CANADA UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO COMPUTERSHARE TRUST COMPANY OF CANADA AND REAL RESOURCES INC., TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT."

If the Securities are being sold in compliance with the requirements of Rule 904 of Regulation S, the legend may be removed by providing a declaration to Computershare Trust Company of Canada to the following effect (or as the Corporation may prescribe from time to time):

"The undersigned (A) acknowledges that the sale of the securities to which this declaration relates is being made in reliance on Rule 904 of Regulation S under

the U.S. Securities Act of 1933, as amended, and (B) certifies that (1) it is not an "affiliate" (as defined in Rule 405 under the Securities Act, as amended) of Real Resources Inc., (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States and (3) neither the seller nor any person acting on its behalf engaged in any directed selling efforts in connection with the offer and sale of such securities. Terms used herein have the meanings given to them by Regulation S."

If the Securities are being sold under Rule 144 of the U.S. Securities Act, the legend may be removed by delivery to Computershare Trust Company of Canada of an opinion of counsel of recognized standing and reasonably satisfactory to the Corporation, to the effect that such legend is no longer required under the U.S. Securities Act or state securities laws; and

- (d) it understands and acknowledges that it is making the representations and warranties and agreements contained herein with the intent that they may be relied upon by the Corporation and the Underwriters in determining its eligibility or (if applicable) the eligibility of others on whose behalf it is contracting hereunder to purchase the Securities.

5. At the closing, Peters & Co. Limited, together with the U.S. Placement Agent, will provide a certificate, substantially in the form of Exhibit I to this Schedule "C", relating to the manner of the offer and sale of the Securities in the United States.

EXHIBIT 1

UNDERWRITERS' CERTIFICATE

In connection with the private placement of trust units (the "Securities") of Real Resources Inc. (the "Corporation") with one or more U.S. institutional investors (the "U.S. Purchasers"), the undersigned Peters & Co. Limited, on behalf of the several underwriters (the "Underwriters") referred to in the Underwriting Agreement, dated as of February 27, 2003, among the Corporation and the Underwriters (the "Underwriting Agreement"), and its U.S. affiliate who has signed below in its capacity as placement agent in the United States for the Underwriters (the "U.S. Placement Agent"), do hereby certify that:

- (a) the U.S. Placement Agent is a duly registered broker-dealer with the United States Securities and Exchange Commission and is a member of, and in good standing with, the National Association of Securities Dealers, Inc. on the date hereof;
- (b) all offers and sales of the Securities in the United States have been effected by the U.S. Placement Agent in accordance with all applicable U.S. broker-dealer requirements;
- (c) in connection with offers and sales of the Securities in the United States, it has not used and will not use any written material other than the Prospectuses together with a United States covering memorandum relating to the offering in the United States (all such documents, the "Offering Documents"), and each offeree of the Securities in the United States has been sent a copy of each of the Offering Documents;
- (d) immediately prior to transmitting the Offering Documents to such offerees, we had reasonable grounds to believe and did believe that each offeree was a Qualified Institutional Buyer as defined in Rule 144A under the U.S. Securities Act, and, on the date hereof, we continue to believe that each U.S. Purchaser is a Qualified Institutional Buyer as defined in Rule 144A under the U.S. Securities Act; and
- (e) neither we nor our representatives have utilized, and neither we nor our representatives will utilize, any form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act).

Terms used in this certificate have the meanings given to them in the Underwriting Agreement unless otherwise defined herein.

Dated: _____, 2003

PETERS & CO. LIMITED

PETERS & CO. EQUITIES INC.

By: _____
Name:
Title:

By _____
Name:
Title: