REORGANIZATION AND REFINANCING AGREEMENT

THIS AGREEMENT made this 20th day of September, 2005.

1:15 p.m.

AMONG:

INFLAZYME PHARMACEUTICALS CANADA INC., a corporation incorporated under the *Canada Business Corporations Act* (the "**Corporation**")

AND

INFLAZYME PHARMACEUTICALS LTD., a corporation incorporated under the laws of British Columbia ("**IPL**")

AND

EACH OF THE UNDERSIGNED whose signature is affixed to this Agreement in Schedule "A" attached hereto and who may from time to time be securityholders of the Corporation (collectively, the "**Investors**")

WHEREAS:

A. the Corporation is proposing to reorganize its capital structure to facilitate the creation of an oil and gas exploration and development company including changing its name to "Vaquero Resources Ltd.";

B. the Corporation is proposing to undertake a refinancing by way of a private placement of $4,727,500 principal amount of 2% convertible secured debentures, Series A (together with associated subscription rights ("**Subscription Rights**") to acquire up to approximately 5,209,940 non-voting common shares issuable on "flow-through" basis) and $2,702,500 principal amount of 2% convertible secured debentures, Series B (collectively, the "**Convertible Debentures**") to certain investors (collectively, the "**Investors**") for the purpose of indirectly repaying $3,430,000 owed by the Corporation to IPL and to provide the Corporation with working capital to pursue oil and gas business opportunities;

C. the Investors have requested certain assurances from IPL in consideration of their subscription for Convertible Debentures;

D. IPL has agreed to support the proposed reorganization of capital and refinancing of the Corporation;

NOW THEREFORE, THIS AGREEMENT WITNESSES THAT, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. ***Capitalized Terms.*** All capitalized terms used herein (including the recitals hereto) shall have the following meanings:

(a) "**Asset Purchase Agreement**" means the asset purchase agreement dated September 20, 2005 between the Corporation and Newco;

(b) "**Closing**" means the completion of the private placement of the Convertible Debentures and associated Subscription Rights by the Corporation currently scheduled for September 20, 2005 or such later date, not later than September 30, 2005, as the Corporation and the Investors may determine;

(c) "**Corporation Financial Statements**" means the unaudited non-consolidated financial statements of the Corporation for the years ended March 31, 2005 and 2004, copies of which are attached as **Schedule "C"** hereto;

(d) "**IPL Financial Statements**" means the audited consolidated financial statements of IPL for the years ended March 31, 2005 and 2004, a copy of which is attached as **Schedule "D"** hereto;

(e) "**Newco**" means Inflazyme Inc., a corporation incorporated under the *Canada Business Corporations Act*;

(f) "**Put Agreement**" means the put option agreement dated September 20, 2005 between IPL, the Corporation and certain of the Investors;

(g) "**Required Amendments**" means the amendments to the articles of the Corporation set forth in **Schedule "B"**; and

(h) "**Share Purchase Agreement**" means the share purchase agreement dated September 20, 2005 between IPL and the Corporation;

2. *Schedules.* The following are the Schedules hereto which are incorporated by reference and deemed to be a part hereof:

Schedule "A" – List of Investors
Schedule "B" – Required Amendments
Schedule "C" – Corporation Financial Statements
Schedule "D"– IPL Financial Statements

3. *Agreement of IPL and the Corporation Regarding Certain Transactions.* The Corporation and IPL jointly and severally agree with the Investors as follows:

(a) IPL and the Corporation shall take all steps necessary to implement the Required Amendments before Closing;

(b) IPL and the Corporation shall take all steps necessary to implement and complete the Closing including the execution and delivery by IPL and the Corporation of the Put Agreement;

(c) immediately following the Closing the Corporation shall subscribe for common shares of Newco for an aggregate subscription price of $3,430,000;

(d) immediately following the Closing and the subscription contemplated by paragraph (c) above, the Corporation and Newco shall complete the transactions contemplated by the Asset Purchase Agreement in the manner provided for therein;

(e) immediately following the completion of the transactions contemplated by paragraph (d) above, the Corporation shall transfer all of the shares of Newco to IPL in satisfaction of $7,720,000 of indebtedness owing by the Corporation to IPL in the manner provided for in the Share Purchase Agreement;

(f) immediately following the completion of the transactions contemplated by paragraph (e) above, the board of directors of the Corporation shall be reconstituted to include five members, three of whom shall be directors or officers of IPL and two of whom shall be Hank B. Swartout and Robert N. Waldner; and

(g) immediately following the completion of the transactions contemplated by paragraph (f) above, the officers of the Corporation shall be reconstituted as follows:

Title	**Name**
President and Chief Executive Officer	Robert N. Waldner
Vice President, Finance and Chief Financial Officer	Ron S. Hozjan
Vice President, Engineering and Operations	Jim Broughton
Vice President, Land	Ken Cruikshank
Vice President, Exploration	Brent J. Harris
Secretary	William S. Maslechko

4. ***Representations and Warranties of IPL.*** IPL represents and warrants to the Investors as at the date hereof as follows and acknowledges and confirms that each of the Investors is relying upon the representations and warranties in connection with the transactions contemplated by this Agreement including, without limitation, in connection with their subscriptions for Convertible Debentures and Subscription Rights, as applicable:

(a) each of IPL and the Corporation is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has the corporate power to own or lease its property and assets and is duly qualified to carry on business in each jurisdiction in which the nature of its business or property or assets owned or leased by it makes such qualification necessary;

(b) each of IPL and the Corporation has all requisite power and authority to enter into this Agreement and all documents to be delivered pursuant hereto and to perform its obligations hereunder and thereunder;

(c) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto, the performance by each of IPL and the Corporation of its obligations hereunder and thereunder and the consummation of the transactions contemplated herein and therein do not and will not:

(i) result in the breach of or violate any terms or provisions of the notice of articles, articles, by-laws or other governing documents of IPL or the Corporation;

(ii) conflict with, result in breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which IPL or the Corporation is a party or by which either of them is bound, or which any of their respective property or assets is subject or give any person any interest or right, including any right of purchase, termination, cancellation or acceleration in any such agreement, instrument, license, permit or authority; or

(iii) violate any provision of law or administrative regulation or judicial or administrative order, award, judgment or decree applicable to IPL or the Corporation with respect to the property or assets of IPL;

(d) this Agreement has been duly authorized, executed and delivered by IPL and the Corporation and all documents to be delivered by IPL and the Corporation pursuant hereto will be duly executed and delivered and this Agreement does and such documents will constitute legal, valid and binding obligations of and enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating or affecting creditors' rights generally and to general principles of equity;

(e) after giving effect to the transactions contemplated by paragraphs 3(a) through (e) above, the authorized capital of the Corporation shall consist of an unlimited number of Common Shares, an unlimited number of non-voting common shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series, of which only 1,102,000 Common Shares and no other shares will be issued and outstanding;

(f) after giving effect to the transactions contemplated by paragraphs 3(a) through (e) above, no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre-emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of any of the unissued shares in the capital of the Corporation other than as contemplated pursuant to the Convertible Debentures or the Subscription Rights;

(g) all of the Common Shares in the capital of the Corporation are legally and beneficially owned by IPL and no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre-emptive right, contract or otherwise) to purchase, convert into, exchange for or otherwise, acquire any of such Common Shares or any interest therein;

(h) there are no actions, suits, investigations, proceedings or claims, commenced or contemplated, at law or in equity or before or by any court or other governmental or regulatory authority and which involve or affect and are material to the Corporation; and to the best of the knowledge, information and belief of IPL, there are no grounds upon which any such action, suit, investigation, proceeding or claim may be commenced with a reasonable likelihood of success;

(i) the minute books, share certificate books and share transfer ledgers of the Corporation are true and correct and the minute books contain the minutes of all meetings, and all resolutions, of the directors (and any committees thereof, if applicable) and shareholders thereof;

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

(k) each of the IPL Financial Statements and the Corporation Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada (except that the Corporation Financial Statements do not include all disclosures required under the generally accepted accounting principles applicable in Canada and with the possible exception of the wind-up of Vascular Therapeutics Inc. in fiscal 2005) applied on a basis consistent with that of prior periods (except as stated therein) and present fairly, in all material respects, the financial position of IPL and the Corporation, respectively, as of the dates provided therein and the results of operations and, in the case of IPL, cash flows for the periods then ended, as applicable;

(l) after giving effect to the Closing and the transactions contemplated by Section 3(d) and Section 3(e), (i) other than pursuant to the Convertible Debentures, the Subscription Rights and this Agreement, the Corporation will have no known or anticipated indebtedness or other liabilities, whether contingent or otherwise, of any kind whatsoever, whether or not determined or determinable, (ii) the Corporation will have no employees, (iii) the Corporation will have no assets other than cash in the amount of $4,000,000, (iv) at March 31, 2005 the Corporation's tax losses will consist of approximately $34 million of non-capital losses and approximately $35 million of scientific research and experimental development expenditures for purposes of the *Income Tax Act*(Canada), (v) the Corporation will not be party to or bound by any agreement of guarantee, indemnification, assumption or endorsement or any other like commitment for the obligations, liabilities (contingent or otherwise) or indebtedness of any other person, (vi) the Corporation will not be committed to make any future payments or deliver assets to third parties or subject to any other agreements or commitments whatsoever including, without limitation, any unanimous shareholder agreement, and (vii) the Corporation will not be party to any mortgage, debenture, loan agreement or other security agreement whatsoever;

(m) subsequent to March 31, 2005 and prior to Closing, the Corporation's scientific research and experimental development expenditures and loss for the period are estimated to be $3 million in total for the purposes of the *Income Tax Act* (Canada).

(n) since March 31, 2005, except as contemplated in this Agreement (including those agreements and transactions referred to or contemplated in Section 3), the Corporation has not:

(i) incurred, assumed or become subject to any liability except in the ordinary course of business;

(ii) amended its articles, by-laws or other governing documents;

(iii) conducted its business in all material respects other than in the ordinary course;

(iv) issued, sold, redeemed or purchased, or agreed to issue, sell, redeem or purchase, any of its securities nor declared, authorized or paid any dividend or made any other distribution to any shareholder of the Corporation;

(v) made any payment whatsoever to, or entered into any agreement with, any person not dealing at arm's length with the Corporation except for a payment less than $1,000 in aggregate;

(vi) suffered any material adverse change, financial or otherwise, in business, financial condition, assets, properties, liabilities or operations of the Corporation or any occurrences or circumstances which have resulted or might reasonably expected to result in a material adverse change thereto; and

(vii) had any debt forgiven;

(o) the Corporation has duly and timely filed, in proper form, returns (collectively, the "**Tax Returns**") in respect of taxes under the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Income Tax Act* (British Columbia), the tax legislation of any other province of Canada or any foreign country having jurisdiction over affairs of the Corporation, for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing, or accrued, on or prior to the date hereof, whether or not the related returns have been filed, and all remittances of taxes collected on behalf of any taxing authority owing on or prior to the date hereof have been paid or accrued in the Corporation Financial Statements; there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period; all payments by the Corporation to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax; there are no assessments or reassessments respecting the Corporation pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority; there are no disputes with any taxing authority; and the Corporation has withheld from each payment made to any of its officers, directors, former directors and employees the amount of all taxes, (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation;

(p) it is not a "non-resident" for the purposes of the *Income Tax Act* (Canada); and

(q) it has no material information or knowledge of any material fact relating to the Tax Returns, the business or assets of the Corporation not made available to the Investors.

5. ***Indemnification By IPL.*** Notwithstanding the Closing and any investigation made by or on behalf of the Corporation or any Investor, or any knowledge of the Corporation or any Investor, IPL will indemnify and save the Corporation, each of its shareholders, each of their respective current and former directors, officers, employees, agents and representatives and each of the Investors (collectively, the "**Indemnified Persons**") harmless of and from any loss, liability, claim, damage (including incidental and consequential damage) or expense (whether or not involving a third-party claim) including legal expenses suffered by, imposed upon or asserted against any of the Indemnified Persons as a result of, in respect of, connected with, or arising out of, under, or pursuant to:

(a) any failure of IPL or the Corporation to perform or fulfil any covenant of IPL or the Corporation under this Agreement;

(b) any breach or inaccuracy of any representation or warranty given by IPL contained in this Agreement;

(c) any Obligations, as defined in the Asset Purchase Agreement.

6. ***Future Financing.*** The Corporation acknowledges that IPL may elect to sell all or part of its common shares ("**Common Shares**") in the capital of the Corporation as part of or immediately following the First Offering. For these purposes, "**First Offering**" means the first issue of Common Shares following Closing at a price per Common Share that when multiplied by the number of Common Shares held by IPL would value IPL's aggregate holding of Common Shares at not less than $3.0 million. If IPL elects to sell all or part of its Common Shares, it will give written notice of such intention to the Corporation not less than five (5) business days before the First Offering (provided the Corporation has given notice to IPL of the intention to undertake the proposed closing date of the First Offering at least ten business days before such proposed closing date) specifying the number of Common Shares it proposes to sell. The Corporation shall use its reasonable commercial efforts to include the Common Shares proposed to be sold by IPL in such First Offering or, at the Corporation's option, to arrange for the sale of such shares following the completion of the First Offering at a purchase price equal to the price at which the Common Shares were sold pursuant to the First Offering.

7. ***No Transfer.*** IPL covenants to the Investors that it will not, from the date hereof until the earlier of (i) the Closing of the First Offering, and (ii) March 15, 2006:

(a) create or suffer or permit to exist any Lien (as defined in the Put Agreement) with respect to the 1,102,000 post-consolidation Common Shares owned by IPL on the date hereof or any of them; or

(b) except pursuant to the Put Agreement, transfer, sell or otherwise dispose of (including by operation of law) or enter into any contract, agreement, option, understanding, commitment, privilege, right in equity or in law or otherwise, binding upon or which at any time in the future may be capable of becoming binding upon IPL to sell or otherwise dispose of all or any of the 1,102,000 post-consolidation Common Shares to any person or entity of any kind.

8. ***Access to Financial and Tax Records.*** IPL shall provide the Corporation with access to all financial and tax records of the Corporation in the possession of IPL after the date hereof.

9. *Notices.* Any notice sent or other communication required under this Agreement shall be in writing and shall be properly remitted if delivered to the addressee, either by messenger or registered mail, or if sent by facsimile and immediately confirmed by letter addressed to the Parties hereto at their addresses indicated hereinafter, provided, however, that any party may, by written notice sent to the other in accordance with the provisions of this section, specify a new address to which any notice shall thereafter be addressed.

Any notice according to this Agreement shall be deemed to have been received by its addressee on the day on which it is delivered, if delivered by messenger, or on the third business day after it is sent by mail, or on the business day after the date of transmission, if transmitted by facsimile. However, if normal mail service or normal service for facsimile is interrupted due to force majeure, the party that sends the notice shall use services not interrupted or deliver said notice by messenger, in order that the other addressee promptly receives the notice.

To the Corporation:

Vaquero Resources Ltd.
5600 Parkwood Way
Suite 425
Richmond, British Columbia
V6V 2M2

Attention: President
Facsimile: (604)279-8711

To IPL:

Inflazyme Pharmaceuticals Ltd.
5600 Parkwood Way
Suite 425
Richmond, British Columbia
V6V 2M2

Attention: Michael Liggett
Facsimile: (604) 279-8711

To the Investors:

c/o Burnet, Duckworth & Palmer LLP
1400, 350-7th Avenue, S.W.
Calgary, Alberta
Canada T2P 3N9

Attention: John A. Brussa
Attention: William S. Maslechko
Facsimile: (403) 260-0332

10. ***Further Assurances.*** Each of the parties hereto agrees to use reasonable commercial efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as is practicable the matters contemplated hereby, including the execution and delivery of such documents as any of the other parties may reasonably require. Each of the parties hereto, where appropriate, shall reasonably cooperate with the other parties in taking such actions.

11. ***Survival.*** The representations, warranties, covenants and agreements herein and in any document delivered pursuant hereto shall survive the Closing and the other transactions contemplated by Section 3 and remain in full force and effect.

12. ***Entire Agreement.*** This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters. Each of the parties acknowledges and agrees that there are no implied representations or warranties made by any of the other parties hereto.

13. ***Governing Law.*** This Agreement shall be governed by the laws of the Province of British Columbia.

14. *Costs.* Each party shall bear its own costs, including without limitation all legal costs, in relation to this Agreement.

15. *Amendments.* This Agreement may only be amended, supplemented or otherwise modified by written agreement executed by the Corporation, IPL and the Investors.

16. *Counterparts.* This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts with the same effect as if all the parties has all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement. This Agreement may be signed by telecopier and such signature shall be valid and binding.

IN WITNESS WHEREOF the parties have executed this Agreement the day and year first above written.

INFLAZYME PHARMACEUTICALS CANADA INC.

Per: ______________________
Name: Michael Liggett
Title: Director

INFLAZYME PHARMACEUTICALS LTD.

Per: ______________________
Name: Michael Liggett
Title: CFO

THOSE SECURITYHOLDERS WHOSE SIGNATURES ARE AFFIXED TO THIS AGREEMENT IN SCHEDULE "A" ATTACHED HERETO