

UNDERWRITING AGREEMENT

Effective November 7, 2007

Southern Pacific Resource Corp.
606, 816 – 7th Avenue S.W.
Calgary, Alberta
T2P 1A1

Attention: Mr. David M. Antony
Chief Executive Officer

Dear Sirs:

Re: Offering of 27,323,000 Common Shares and 4,525,000 Flow-Through Shares of Southern Pacific Resource Corp.

Canaccord Capital Corporation, Orion Securities Inc., and Genuity Capital Markets, (collectively, the "**Underwriters**") understand that Southern Pacific Resource Corp. (the "**Corporation**") proposes to issue and sell 27,323,000 common shares of the Corporation (the "**Initial Common Shares**") and 4,525,000 common shares on a "flow-through" basis (the "**Initial FT Shares**") Collectively, the Initial Common Shares and the Initial FT Shares are collectively referred to as the "**Initial Shares**".

Upon and subject to the terms and conditions hereof, the Underwriters hereby severally, and not jointly, agree to:

- (a) purchase (in the respective percentages described in Section 19 hereof) the Initial Common Shares from the Corporation and the Corporation hereby agrees to issue and sell to the Underwriters, all but not less than all of the Initial Common Shares at the price of \$1.83 per Initial Common Share; and
- (b) act as, and the Corporation hereby appoints the Underwriters as, the sole and exclusive agents of the Corporation to offer, in accordance with terms hereof and in accordance with the percentages described in Section 19 hereof, the Initial FT Shares for sale at a price of \$2.21 per share and to use their reasonable efforts to secure subscriptions therefor, provided that in the event that less than all of the Initial FT Shares are sold by the Underwriters as agents, the Underwriters hereby severally, and not jointly and in accordance with the percentages described in Section 19 hereof, agree to purchase from the Corporation and the Corporation hereby agrees to issue and sell to the Underwriters the remaining balance of the Initial FT Shares not sold to purchasers, subject to any arrangements for substituted purchasers that may be made by the Underwriters.

The aggregate purchase price of the Initial Shares is \$60,001,340.

In addition, subject to the terms and conditions hereof, the Corporation hereby grants the Underwriters an option for purposes of covering the Underwriters' over-allotment position and market stabilization purposes (the "**Underwriters' Option**") exercisable in whole or in part at any time prior to 4:00 p.m. (Calgary time) on the date that is 30 days from the Closing Date (as defined below), to purchase (or arrange for the purchase of) common shares at a price of \$1.83 per share (the "**Option Common Shares**") and/or common shares to be issued on a "flow-through" basis at a price of \$2.21 per share (the "**Option**

FT Share") for additional aggregate gross proceeds of up to \$5,000,000. The Option Common Shares and the Option FT Shares are collectively referred to as the "**Option Shares**".

If the Underwriters' Option is exercised, the Underwriters agree to purchase that number of Option Shares set out in the notice of exercise on the basis provided herein. The Initial Shares, together with any Option Shares that are issued upon exercise of the Underwriters' Option, are referred to herein as the "**Offered Shares**".

The Underwriters propose to distribute the Offered Shares in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario pursuant to the Prospectus (as defined below) and in the United States in the manner contemplated by this Agreement.

The Corporation understands that although this Agreement is presented on behalf of the Underwriters, as the purchasers, the Underwriters, through their United States (as defined below) registered broker dealer affiliates ("U.S. Affiliates") will have the right to solicit orders and obtain substituted purchasers (the "Substituted Purchasers") in the United States for the Offered Shares on behalf of the Corporation and the obligation of the Underwriters to purchase the Offered Shares from the Corporation shall be reduced by the number of Offered Shares purchased by the Substituted Purchasers. The Underwriters, through their U.S. Affiliates, shall have the exclusive right to offer for sale and sell the Offered Shares pursuant to exemptions under the U.S. Securities Act (as defined in Schedule "A" hereto, to Institutional Accredited Investors and Qualified Institutional Buyers (as defined in Schedule A) hereto in accordance with the terms hereof. With respect to Offered Shares to be sold to Qualified Institutional Buyers in the United States pursuant to Rule 144A (as defined in Schedule A) hereto, the Underwriters, through their U.S. Affiliates, will purchase such Offered Shares from the Corporation for resale in compliance with Rule 144A.

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

(a) Whenever used in this Agreement:

"**Act**" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time;

"**Additional Closing Date**" shall have the meaning set forth in subsection 14(b);

"**Additional Closing Time**" shall have the meaning set forth in subsection 14(b);

"**Agreement**" means this underwriting agreement;

"**AIF**" means the second revised annual information form of the Corporation dated November 6, 2007 for the year ended June 30, 2007;

"**Applicable Securities Laws**" means all applicable securities, corporate and other laws, rules, regulations, instruments, notices blanket orders and policies in the Qualifying Provinces and in the United States;

"**ASC**" means the Alberta Securities Commission;

"**Bounty**" means Bounty Developments Ltd.;

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

"**Canadian Exploration Expense(s)**" or "**CEE**" means Canadian exploration expense described in paragraph (a) or (d) of the definition of "Canadian exploration expense" in subsection 66.1(6) of the Act or that would be described in paragraph (h) thereof if the reference therein to "paragraphs (a) to (d) and (f) to (g.1)" were a reference to "paragraphs (a) or (d)", excluding amounts which are "Canadian exploration and development overhead expense" as defined in Regulation 1206(1) of the Act, the amount of any assistance described in paragraph 66(12.6)(a) of the Act and any specified expense described in paragraph 66(12.6)(b.1) of the Act;

"**Closing Date**" means November 27, 2007 or such other date as may be agreed to by the Underwriters and the Corporation;

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

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

"**Commitment Amount**" means the amount equal to \$2.21 multiplied by the number of FT Shares subscribed and paid for pursuant to the Flow-Through Agreement;

"**Corporation's auditors**" means Meyers Norris Penny LLP, chartered accountants, Calgary, Alberta;

"**Corporation's counsel**" means Davis LLP or such other legal counsel as the Corporation, with the consent of the Underwriters, may appoint;

"**DeGolyer**" means DeGolyer and MacNaughton Canada Limited, independent engineering consultants, of Calgary, Alberta;

"**DeGolyer Reports**" means the:

- (i) the appraisal report dated November 6, 2007 and effective June 30, 2006 regarding certain properties of the Corporation prepared by DeGolyer;
- (ii) the report dated August 27, 2007 and effective June 30, 2007 on the contingent resources attributable to Kirby and Haningstone owned by the Corporation prepared by DeGolyer;
- (iii) the report dated August 27, 2007 and effective June 30, 2007 on the contingent resources attributable to Leismer Extension owned by the Corporation prepared by DeGolyer; and

- (iv) the report dated August 27, 2007 and effective June 30, 2007 on the contingent resources attributable to certain bitumen accumulations owned by the Corporation in MacKay River and Long Lakes areas prepared by DeGolyer;

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

- (i) the AIF;
- (ii) the Financial Statements;
- (iii) management's discussion and analysis of the Corporation's operating and financial results for the year ended June 30, 2007;
- (iv) the management proxy and information circular dated October 20, 2006 in connection with the annual and special meeting of the shareholders of the Corporation held on November 17, 2006;
- (v) the material change report of the Corporation dated November 7, 2007;
- (vi) the material change report of the Corporation dated September 10, 2007;
- (vii) the material change report of the Corporation dated August 13, 2007;
- (viii) the material change report of the Corporation dated July 26, 2007;
- (ix) the material change report of the Corporation dated July 17, 2007; and
- (x) any other document that is, or is deemed to be, incorporated by reference into the Prospectuses;

"Due Diligence Session" shall have the meaning set forth in subsection 4(d);

"Due Diligence Session Responses" means the responses of the Corporation, as given by any director or senior officer of the Corporation, at a Due Diligence Session;

"Exchange" means the TSX Venture Exchange;

"Expenditure Period" means the period commencing on the date of acceptance of the Flow-Through Agreement and ending on the earlier of:

- (i) the date on which the Commitment Amount has been fully expended in accordance with the terms of the Flow-Through Agreement; and
- (ii) December 31, 2008;

"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;

"Financial Statements" means the audited comparative financial statements of the Corporation as at and for the years ended June 30, 2007 and 2006, together with the notes thereto and the report of the auditors thereon;

"Flow-Through Agreement" means, collectively, the subscription and renunciation agreement, to be entered into by each subscriber for the FT Shares (or one or more of the Underwriters as agent for such subscribers) and the Corporation in respect of the subscriber's subscription for FT Shares, in form and substance satisfactory to the Corporation's counsel and the Underwriters' counsel, acting reasonably;

"FT Shares" means the Initial FT Shares and, if applicable, the Option FT Shares;

"FT Purchasers" means the initial purchasers of the FT Shares;

"GST" means the Goods and Services Tax imposed under the provisions of Part IX of the *Excise Tax Act* (Canada);

"Indemnified Parties" shall have the meaning set forth in subsection 9(a);

"Institutional Accredited Investor" shall have the meaning set forth in Schedule "A" hereto;

"June Asset Acquisition Agreement" means the asset sale agreement dated effective June 15, 2007 between the Corporation and Bounty in respect of the acquisition by the Corporation of the June Assets;

"June Assets" means the 80% interest in the 76 contiguous sections of oil sands leases acquired by the Corporation pursuant to the June Asset Acquisition Agreement and described as "Long Lake" and "MacKay River";

"Leismer Asset Acquisition Agreement" means the asset sale agreement dated effective September 15, 2006 between the Corporation and Bounty in respect of the acquisition by the Corporation of the Leismer Assets;

"Leismer Assets" means the 80% interest in the 76 contiguous sections of oil sands owned by Bounty that was sold by the Corporation pursuant to the Leismer Asset Acquisition Agreement and described as "Leismer south";

"Liabilities" shall have the meaning set forth in subsection 9(a);

"Material Adverse Effect" with respect to any Person means an effect which is or might reasonably be expected to materially adversely affect the business, assets, financial condition, earnings and operations of such Person;

"Material Agreements" means, collectively:

- (i) this Agreement;
- (ii) the June Asset Acquisition Agreement;
- (iii) the September Asset Acquisition Agreement;

- (iv) the Leismer Asset Acquisition Agreement;
- (v) the agency agreement dated effective June 7, 2007 between Canaccord Capital Corporation, Blackmount Capital Inc. and Jones, Gable & Company Limited and the Corporation; and
- (vi) the escrow agreement dated November 22, 2006 between the Corporation, Valiant Trust Company and certain shareholders of the Corporation relating to 4,762,500 Common Shares;

"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;

"Mutual Reliance Review System" means the mutual reliance review system provided for under National Policy 43-201 of the Canadian Securities Administrators;

"NI 44-101" means National Instrument 44-101 of the Canadian Securities Administrators;

"NI 51-102" means National Instrument 51-102 of the Canadian Securities Administrators;

"Person" means any individual, partnership, limited partnership, joint venture, sole proprietorship, company or corporation, trust, trustee, unincorporated organization, government or agency or political subdivision thereof;

"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;

"Preliminary Prospectus" means the preliminary short form prospectus of the Corporation to be dated November 5, 2007 and any amendments thereto, in respect of the distribution of the Offered Shares, including the documents incorporated by reference therein;

"Principal Business Corporation" means a principal-business corporation as defined in subsection 66(15) of the Act;

"Proceedings" shall have the meaning set forth in subsection 9(a);

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

"Prospectuses" means, collectively, the Preliminary Prospectus and the Prospectus;

"Public Record" means all information filed by or on behalf of the Corporation with any Securities Commission, including without limitation, the Documents, any Supplementary Material and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws;

"Qualified Institutional Buyer" has the meaning set forth in Schedule "A" hereto;

"Qualifying Expenditures" means CEE that may be renounced to a subscriber of FT Shares with an effective date or dates no later than December 31, 2007 pursuant to the Act;

"Qualifying Provinces" means the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario;

"Rule 61-501" means Ontario Securities Commission Rule 61-501;

"Securities Commissions" means the securities commissions or similar regulatory authorities in each of the Qualifying Provinces and in the United States;

"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;

"September Acquisition Agreement" means the asset sale agreement dated September 5, 2007 between the Corporation and Bounty in respect of the acquisition by the Corporation of the September Assets;

"September Assets" means the 80% interest in 81 sections of oil sands leases acquired by the Corporation pursuant to the August Asset Acquisition Agreement and described as "Haningstone", "West" and "Kirby";

"subsidiary" has the meaning as set forth in subsection 2(4) of the *Business Corporations Act* (Alberta);

"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 Applicable Securities Laws;

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

"Taxes" means all taxes, however denominated, including any interest, penalties, or other additions thereto that are imposed by any government, agency or authority, or a subdivision thereof, which is entitled to impose Taxes or administer any legislation relating to Taxes, and shall for greater certainty include, but not be limited to, federal and provincial income and capital taxes, payroll and employee withholding taxes, Employment Insurance premiums, Canada Pension Plan contributions, GST, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business licence taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, workers' compensation premiums, and all other amounts of the

same or of a similar nature to any of the foregoing, whether or not such amounts are described as taxes;

"to the knowledge of" means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates, after having made commercially reasonable inquiries and investigations in connection with such facts and circumstances;

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

"Underwriting Fee" shall have the meaning set forth in Section 2;

"United States" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

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

"U.S. Securities Act" means the United States Securities Act of 1933, as amended; and

"Wrap" means the U.S. private placement memorandum and any amendments thereto in respect of the distribution of the Initial Common Shares and Option Common Shares to certain investors in the United States, to be attached to each of the Preliminary Prospectus and the Prospectus.

- (b) Whenever used in this Agreement, the terms **"associate"**, **"misrepresentation"**, **"material change"**, **"material fact"** and **"senior officer"** 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, and the term **"affiliate"** shall have the meaning given to such term in the *Securities Act* (Alberta).
- (c) The division of this Agreement into sections and paragraphs and the provision of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise stated, any reference in this Agreement to any section or paragraph shall refer to a section or paragraph of or to this Agreement.
- (d) Whenever used in this Agreement, words importing the singular number only shall include the plural and vice versa, and words importing the masculine gender shall include the feminine gender.
- (e) All references to monetary amounts in this Agreement are to lawful money of Canada.
- (f) Schedule "A", United States Offers and Sales, attached to this Agreement, is deemed to be a part hereof and is hereby incorporated by reference herein.

2. Underwriting Fee

In consideration for their services in underwriting the distribution of the Offered Shares and purchasing the Initial Common Shares and the Optioned Common Shares, the Corporation agrees to pay to the Underwriters at the Closing Time and at the Additional Closing Time, as applicable, a fee (the "**Underwriting Fee**") of 6% per Offered Share for each Offered Share purchased, being an aggregate amount of \$3,600,080 and \$3,900,080 if the Underwriters' Option is exercised in full. The Underwriting Fee may, at the sole option of the Underwriters and without reducing the issue price, be deducted from the aggregate gross proceeds of the sale of the Offered Shares and withheld for the account of the Underwriters.

For greater certainty, the services provided by the Underwriters in connection herewith will not be subject to GST and taxable supplies will be incidental to the exempt financial services provided. However, in the event that Canada Revenue Agency determines that GST is exigible on the fees payable to the Underwriters hereunder, the Corporation agrees to pay the amount of GST exigible on the fees payable to the Underwriters hereunder by the Corporation forthwith upon the request of the Underwriters.

3. Underwriters' Option

The Corporation hereby grants to the Underwriters, in the percentages set out opposite their respective names in Section 19, the Underwriters' Option for purposes of covering the Underwriters' over-allotment position and market stabilization purposes to purchase any combination of Option Shares at a price of \$1.83 per share and Option FT Shares at a price of \$2.21 per share for aggregate gross proceeds not to exceed \$5,000,000. The Underwriters may exercise the Underwriters' Option, in whole or in part, at any time prior to 4:00 p.m. (Calgary time) on the date that is 30 days from the Closing Date, by delivering notice to the Corporation setting forth the number of option Shares to be purchased. Upon the Underwriters furnishing this notice, the Underwriters will be committed to purchase, in respect of the percentages set forth in Section 19, and the Corporation will be committed to issue and sell in accordance with and subject to the provisions of this Agreement, the Option Shares in respect of which the Underwriters' Option has been exercised at the Closing Time or the Additional Closing Time, as applicable.

4. Qualification for Sale

- (a) The Corporation represents and warrants to the Underwriters that at the time of filing the Preliminary Prospectus it will be eligible to use the prompt offering qualification system described in NI 44-101 for the distribution of the Offered Shares.
- (b) The Corporation shall elect and comply in all material respects with the Mutual Reliance Review System and in connection therewith shall:
 - (i) prepare and file under the Mutual Reliance Review System the Preliminary Prospectus and other documents required under the Applicable Securities Laws with the Securities Commissions and designate the ASC as the principal regulator, no later than 4:00 p.m. (Calgary time) on November 9, 2007 (or such other time as may be agreed in writing by the Corporation and the Underwriters); and

- (ii) obtain from the ASC a preliminary MRRS Decision Document dated effective no later than November 9, 2007 evidencing that a receipt has been issued for the Preliminary Prospectus in each Qualifying Province;
- (iii) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions, have:
 - (A) prepared and filed the Prospectus and other documents required under the Applicable Securities Laws as soon as reasonably possible and in any event no later than 4:00 p.m. (Calgary time) on November 14, 2007 (or such later date as may be agreed to in writing by the Corporation and the Underwriters);
 - (B) obtained from the ASC a final MRRS Decision Document dated November 14, 2007 (or such later date as may be agreed to in writing by the Corporation and the Underwriters) evidencing that a receipt has been issued for the Prospectus in each Qualifying Province, or otherwise obtained a receipt for the Prospectus from each of the Securities Commissions; and
 - (C) 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
- (iv) 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 or, in the event the Offered Shares have ceased to so qualify, to again 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 (including the Wrap) 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 fulfill 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. During such period, the Corporation shall also make available its directors, audit committee, senior management, auditors and independent engineers to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to the Closing Time and the Additional Closing Time, as applicable (the "**Due Diligence Sessions**"); the Underwriters shall distribute a list of written questions to be answered in advance of such Due Diligence Sessions and the Corporation shall provide written responses to such questions and the Corporation shall use reasonable commercial

efforts to have its auditors and independent engineers provide written responses to such questions in advance of the Due Diligence Sessions.

- (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 and to take such action necessary to permit the Offered Shares to be offered and sold in transactions exempt from registration under the U.S. Securities Act in the United States to Qualified Institutional Buyers in reliance on Rule 144A under the U.S. Securities Act and to Institutional Accredited Investors in reliance on Rule 506 of Regulation D promulgated under the U.S. Securities Act.

5. 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 signed as required by the Applicable Securities Laws;
 - (ii) copies of the preliminary Wrap and Wrap, respectively, if required by the Underwriter; and
 - (iii) copies of any documents incorporated by reference therein which have not previously been delivered to the Underwriters or are not available via SEDAR;as soon as they are available and in any event, not later than one Business Day following the filing with the securities commissions of the Preliminary Prospectus or Prospectus;
- (b) as soon as they are available, copies of any Supplementary Material 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; and
- (c) prior to the filing of the Prospectus with the Securities Commissions, a "long-form 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 satisfactory in form and substance to the Underwriters and the Underwriters' counsel, acting reasonably, 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.

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 5(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, the Wrap and any Supplementary Material in connection with the offering and sale of the Offered Shares.

6. Commercial Copies

- (a) The Corporation shall, as soon as possible but in any event not later than:
 - (i) in the cities of Calgary, Vancouver and Toronto noon (local time) on the first Business Day, and
 - (ii) any other city, noon (local time at the place of delivery) on the second Business Day,

following the date of the filing of the Preliminary Prospectus or the Prospectus with the Securities Commissions or after the execution of any Supplementary Material or Wrap cause to be delivered to the Underwriters, without charge, commercial copies of the Preliminary Prospectus, the Prospectus or such Supplementary Material and the Wrap in such numbers 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.

- (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.

7. 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, proposed or prospective, whether financial or otherwise) 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;
 - (ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus, the Wrap 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, the Wrap, or any Supplementary Material untrue, false or misleading in any material respect;

- (B) result in a misrepresentation in the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material; or
- (C) result in the Preliminary Prospectus, the Prospectus, the Wrap 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 or any other regulatory authority for any amendment to the Preliminary Prospectus, the Prospectus, the Wrap or any other part of the Public Record or for any additional information;
 - (ii) the issuance by any Securities Commission or similar regulatory authority, the Exchange or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose; and
 - (iii) the receipt by the Corporation of any communication from any Securities Commission or similar regulatory authority, the Exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus, the Wrap, or any Supplementary Material, any other part of the Public Record or the distribution of the Offered Shares.
- (c) The Corporation will promptly comply to the satisfaction of the Underwriters and the Underwriters' counsel, acting reasonably, with Applicable Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in subsections 7(a) or (b) above and the Corporation will prepare and file promptly at the Underwriters' request any amendment to the Preliminary Prospectus, Prospectus, Wrap 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 such 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 such 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 any such material as filed with the Securities Commissions, and of comfort letters with respect to any such material substantially similar to those referred to in Section 5 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 statements of the Corporation;
 - (ii) any proposed document, including without limitation any amendment to the AIF, new annual information form, material change report, interim report, press release or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus;
 - (iii) any press release of the Corporation; and
 - (iv) any amendment to the Preliminary Prospectus, Prospectus, Wrap or Supplementary Material.

8. Representations, Warranties and Covenants of the Corporation

- (a) Each delivery of the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material pursuant to Section 5 above shall constitute a 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, Prospectus, Supplementary Material or the Wrap) contained in the Preliminary Prospectus, the Prospectus, the Wrap 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 Wrap complies in all material respect wit U.S. securities laws; and
 - (iii) except as is disclosed in the Public Record, there has been no intervening material change (actual, proposed or prospective, whether financial or otherwise) from the date of the Preliminary Prospectus, the Prospectus, the Wrap and any Supplementary Material to the time of delivery thereof, 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.

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

Corporate Matters

- (i) the Corporation has been duly incorporated or amalgamated and organized or continued and is validly existing under the laws of the jurisdiction of its incorporation, amalgamation or continuance 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, lease and operate its properties and assets;
- (ii) the Corporation is duly registered and qualified to carry on business and is validly subsisting under the laws of each jurisdiction in which it carries on its business;
- (iii) the Corporation has no subsidiaries, the Corporation is not affiliated with, nor is it a holding corporation of, any other body corporate, nor is it a partner of any partnership nor does it own any securities of any other entity;
- (iv) the minute book of the Corporation contains full, true and correct copies of the articles and by-laws of the Corporation and, on or before the Closing Time, will contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors and shareholders of the Corporation and all such meetings were duly called and properly held and all such resolutions were properly adopted except to the extent that any such failure could not reasonably be expected to have a material adverse effect on the Corporation;

Issuance of Securities

- (v) the Offered Shares will be duly and validly authorized and issued as fully paid and non-assessable Common Shares at the Closing Time and the Additional Closing Time;
- (vi) the form and terms of the definitive certificates representing the Offered Shares have been duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;

No Breach

- (vii) the Corporation is not in default or breach or violation of, and the execution and delivery of, and the performance of any of the Material Agreements and performance of any of the transactions contemplated hereby do not and will not:
 - (A) 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,

would result in a breach of or constitute a default under, any term or provision of the articles, by-laws or resolutions of the Corporation, or any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound, 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 assets, liabilities, business, operations, capital or condition (financial or otherwise) of the Corporation or the assets of the Corporation; or

- (B) create a right for any other party to terminate, accelerate or in any way alter any other rights existing under any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound which, upon exercise of such right, might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or the assets of the Corporation;

Corporate Authority and Effect

- (viii) the Corporation has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein 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) enforceability may be limited by bankruptcy, insolvency or other laws 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) rights to indemnity and contribution hereunder may be limited by applicable law;
 - (D) that statutory and inherent powers of the court to grant relief from forfeiture, to stay execution of proceedings before it and to stay executions on judgments;
 - (E) the applicable laws regarding limitations of actions;
 - (F) enforceability of provisions which purport to sever any provision which is prohibited or enforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court; and
 - (G) enforceability of the provisions exculpating a party from liability or duty otherwise owed by it may be limited under applicable law.

- (ix) the representations and warranties made by the Corporation in this Agreement are, or will be, correct as of the date they are made;

No Change

- (x) there has not been any material adverse change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation, from the position set forth in the Financial Statements or as otherwise disclosed in the Documents 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 since June 30, 2006;
- (xi) since June 30, 2006 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;
- (xii) the Corporation has not entered into any transaction which is or may be material to the Corporation and is not in the ordinary course of business, which has not been disclosed in the Documents;

Share Capital

- (xiii) the authorized capital of the Corporation consists exclusively of unlimited Common Shares, of which as of the Closing Date (without giving effect to the Offering), 59,787,909 Common Shares will be issued and outstanding as fully paid and non-assessable;
- (xiv) other than as will be issued pursuant to the provisions of this Agreement, there are no outstanding securities of the Corporation, and as are described herein, no and outstanding securities convertible or exchangeable into any securities of the Corporation or any agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right for the purchase of any unissued securities of the Corporation, except for, as of the Closing Date, 3,925,100 Common Shares reserved for issuance upon the exercise of stock options currently issued pursuant to the Corporation's stock option plan and 12,130,403 Common Shares reserved for issuance upon the exercise of outstanding warrants of the Corporation;

Tax Compliance

- (xv) the Corporation has duly 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 and there are no actions, suits, proceedings, investigations or claims threatened or pending against the

Corporation 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;

- (xvi) the Corporation has established on its books and records reserves which are adequate for the payment of all Taxes not yet due and payable and there are no liens for taxes on the assets of the Corporation, except for Taxes not yet due, and there are no audits of any of the tax returns of the Corporation which are known by the Corporation's management to be pending, and there are no claims which have been or may be asserted relating to any such tax returns which, if determined adversely, would result in the assertion by any governmental agency of any deficiency which would have a material adverse effect on the properties, business or assets of the Corporation;

Legal Compliance

- (xvii) to the knowledge of the Corporation, there are no actions, suits, proceedings or inquiries pending or threatened against or involving or affecting the Corporation, at law or in equity or before or by any federal, provincial, state, county, municipal or other governmental department, commission, board, bureau, agency or instrumentality:
 - (A) which in any way materially adversely affect, or may in any way materially adversely affect, the business, operations or condition (financial or otherwise) of the Corporation or the assets of the Corporation;
 - (B) which in any way materially adversely affect the ability of the Corporation to exploit the assets and property of the Corporation; or
 - (C) which would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in the Material Agreements or which would affect or may affect the distribution of the Offered Shares,

and to the knowledge of the Corporation, there is no existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

- (xviii) the Corporation has conducted and is conducting its business in compliance in all material respects with all applicable laws, rules and regulations and is fully licensed, registered or qualified to transact business and is in good standing in all jurisdictions in which the conduct of its business requires such qualification except to the extent that the failure to so comply or to be so licensed, registered or qualified would not have a material adverse effect on the Corporation, all such licenses, registrations or qualifications which are material are valid and existing in good standing, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation will be unable to comply with without materially adversely affecting the Corporation;

- (xix) to the best of the knowledge of the Corporation, no other party is in default in the observance or performance of any term or obligation to be performed by it under any contract to which the Corporation is a party or by it is bound which is material to the business of the Corporation;
- (xx) to the best of the knowledge of the Corporation no event has occurred which with notice or lapse of time or both would directly or indirectly constitute such a default, in any such case which default or event would reasonably be expected to have a material adverse effect on the assets or properties, business, results of operations, prospects or condition (financial or otherwise) of the Corporation;
- (xxi) to the best of the knowledge of the Corporation, there are no judgments against the Corporation which are unsatisfied, nor are there any consent decrees or injunctions to which the Corporation is subject;

Securities Compliance

- (xxii) none of the United States Securities and Exchange Commission, the Exchange, the Securities Commissions or any other similar regulatory authority has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any requirement of Applicable Securities Laws which would have a material effect on the Offering or the Corporation;
- (xxiii) other than the conditional approval of the Exchange with respect to the offering contemplated by this Agreement, no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of the Offered Shares;
- (xxiv) the Corporation is a "reporting issuer" not in default of the Applicable Securities Laws, in the provinces of British Columbia and Alberta;
- (xxv) the Corporation has taken or will take prior to the Closing Date all such steps as may be necessary to comply with such requirements of Applicable Securities Laws such that the Offered Shares may, in accordance with Applicable Securities Laws, be offered for sale and sold on to the public in the Selling Jurisdictions through the Underwriters as contemplated by this Agreement;

Exchange Compliance

- (xxvi) the issued and outstanding Common Shares of the Corporation are listed and posted for trading on the Exchange and the Corporation is in compliance with the by-laws, rules and regulations of the Exchange;
- (xxvii) the Corporation has not taken, nor will take, any action which would be reasonably expected to result in the delisting or suspension of the Common Shares on or from the Exchange;

Oil & Gas Operations

- (xxviii) although it does not warrant title, the Corporation does not have reason to believe that the Corporation does not have good and marketable title to or the irrevocable right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the "**Interests**") and does represent and warrant that the Interests are free and clear of all liens, charges, encumbrances, restrictions or adverse claims created by, through or under the Corporation, except as disclosed in the Public Record or those arising in the ordinary course of business, which are not material in the aggregate;
- (xxix) to the best of the Corporation's knowledge there are no defects, failures or impairments in the title of the Corporation to its respective oil and natural gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party which, in aggregate, could have a material adverse effect on the value of the Corporation's interests in such property or its ability to exploit such interests;
- (xxx) the Corporation has made available to DeGolyer prior to the issuance of the DeGolyer Reports all information requested by DeGolyer 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 DeGolyer since the date that such information was so provided. To the best of the Corporation's knowledge, the DeGolyer Reports reasonably presented the aggregate quantity and pre-tax present worth values of estimated future net revenue values of oil and natural gas reserves of the assets which are the subject of those reports based upon information available in respect of such reserves at the time the relevant report was prepared. To the best of the Corporation's knowledge, such report does not overstate the aggregate quantity and pre-tax present worth values of such reserves;
- (xxxi) in respect of the assets and properties of the Corporation that are operated by the Corporation:
 - (A) the Corporation holds all valid licenses, registrations, permits, authorities and qualifications that are required and necessary under applicable law to operate the assets and properties of the Corporation as presently operated except where the failure to hold such valid licenses, registrations, permits, authorities and qualifications does not have a material adverse effect on the Corporation;
 - (B) all such licenses, registrations, permits, authorities and qualifications are valid and existing and in good standing and none of such licenses, registrations, permits, authorities or qualifications contains any burdensome term, provision, condition or limitations which has or is likely to have any material adverse effect on the business of the Corporation as now conducted, or as proposed to be conducted; and
 - (C) the Corporation has not received notice of any proceedings relating to the revocation or modification of any such licenses, registrations, permits, authorities or qualifications which, if the subject of an unfavourable

decision, ruling or finding, would materially adversely affect the business, operations, financial condition or prospects of the Corporation;

- (xxxii) all filings by the Corporation, pursuant to which the Corporation has received or is entitled to receive government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation, or previously accrued on the accounts thereof to be recovered or disallowed;
- (xxxiii) any and all operations of the Corporation, and, to the best of the Corporation's knowledge, any and all operations by third parties, on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good oil and natural gas industry practices applicable in the jurisdictions in which such operations occur and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities;
- (xxxiv) to the best of the Corporation's knowledge, there is no pending or threatened action, suit, proceeding or inquiry which, in aggregate, could have a material adverse effect on: (i) the value of the assets and properties of the Corporation; (ii) its ability to exploit such assets and property; (iii) the quantity and pre-tax present value of estimated future net revenue values of oil and natural gas reserves of the Corporation as shown in the Reserve Report; (iv) the current production or interests in land or joint ventures of the Corporation; or (v) the current cash flow of the Corporation;

Environmental Compliance

- (xxxv) the Corporation has conducted, and is conducting, its business in compliance in all material respects with all legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies ("**Environmental Laws**") of each jurisdiction in which it carries on business relating to the protection of the environment, occupational health and safety or the processing, use, treatment, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or industrial, toxic or hazardous wastes or substance ("**Hazardous Substances**") or the licensing thereof;
- (xxxvi) the Corporation:
 - (A) has not received any notice of, or been prosecuted for, an offence alleging non-compliance with any Environmental Laws;
 - (B) has not settled any allegation of non-compliance short of prosecution; and
 - (C) has not received notice of any orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures to be made with respect to any of its assets;
- (xxxvii) to the knowledge of the Corporation (after inquiry that is consistent with sound environmental practices for businesses of comparable size engaged in exploration

for, and production of, oil and natural gas in the applicable jurisdictions) there has not occurred any material spills, emissions or pollution of any property of the Corporation, or for which the Corporation is or may be responsible, nor is the Corporation the subject of any outstanding stop orders, control orders, clean-up orders or reclamation orders under applicable environmental laws and regulations;

Disclosure and Records

- (xxxviii) the books of account and other records of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained, in all material respects, in accordance with prudent business practices;
- (xxxix) the Corporation has provided the Underwriters and their advisors with true and complete copies of all indentures, mortgages, notes, contracts, agreements (written or oral), instruments, leases or other documents to which the Corporation is a party that can reasonably be regarded as presently material to the Corporation (collectively, the "**Material Contracts**") and each of the Material Contracts constitutes a legally valid and binding agreement of the Corporation, as applicable, enforceable in accordance with their respective terms and, to the best of the knowledge of the Corporation, no party thereto is in default thereunder;
- (xl) all documents provided to the Underwriters (or their representatives) that were copies are accurate copies of the originals thereof and all English translations of foreign language documents are accurate translations thereof;
- (xli) the information in respect of the assets, liabilities, business, operations and capital of the Corporation provided by the Corporation and its representatives to the Underwriters or their representatives is true and correct in all material respects, as at the respective dates thereof and as at the date of this Agreement and does not omit any data or information necessary to make the data and information provided, taken as a whole, not misleading in any material respect;
- (xlii) other than as previously disclosed to the Underwriters in writing, the Corporation is not a party to any contracts of employment which may not be terminated on one month's notice (other than amounts payable at common law) or less or which provide for payments occurring on a change of control of the Corporation;
- (xliii) to the knowledge of the Corporation, 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;
- (xliv) the description of the assets and liabilities of the Corporation set forth in the Financial Statements fairly presents, in accordance with generally accepted accounting principles in Canada applied on a consistent basis, the financial position and condition of the Corporation on a consolidated basis as at the dates thereof and reflects all material liabilities (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof required to be disclosed in accordance with generally accepted accounting principles in Canada applied on a consistent basis;

- (xlv) the information and statements set forth in the Public Record were true, correct, and complete in all material respects and did not contain any misrepresentation, as of the date of such information or statements and no material change (as defined in Applicable Securities Laws) has occurred in relation to the Corporation which is not disclosed in the Public Record, and the Corporation has not filed any confidential material change reports which continue to be confidential;

Registrar and Transfer Agent

- (xlvi) Valiant Trust Company at its principal office in the City of Calgary is the duly appointed registrar and transfer agent of the Corporation with respect to its Common Shares;

Other Liabilities

- (xlvii) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agents' commission or other similar forms of compensation with respect to the transactions contemplated herein;
- (xlviii) the Corporation is not 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 and applicable laws and indemnities arising in the ordinary course including pursuant to industry agreements such as operating agreements and indemnification provisions in favour of trustees under special warrant indentures and similar agreements, registrar and transfer agency agreements and agency and underwriting agreements and similar arrangements which, taken together, do not have a material adverse effect on the Corporation) or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person;
- (xlix) the Corporation has not entered into or completed any Swaps;
- (l) the Corporation does not 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 that are currently outstanding, (other than the indebtedness disclosed to the Underwriters, the total of such indebtedness being less than \$10,000);
- (li) no director, officer or other non-arm's length party to the Corporation is entitled to receive any royalties, net profits, interest or other payments or has any other rights based on production from properties in which the Corporation has an interest;

Other Matters

- (lii) other than as identified in the Personal Information Forms provided to Underwriters' counsel, to the knowledge of the Corporation, none of its directors, officers or other insiders, are now, or have ever been, subject to an order or ruling

of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;

Flow-Through Shares Tax Matters

- (liii) the Corporation is and will continue to be a Principal Business Corporation at all material times, such that all the Qualifying Expenditures required to be renounced under the Flow-Through Agreements can be validly renounced to subscribers of FT Shares pursuant to the Act;
- (liv) assuming and on the basis that there are not, and will not be, any agreements with respect to the FT Shares to which the Corporation or a "specified person" (as defined in Regulation 6202.1(5) of the Act) is not a party, upon issuance pursuant to the provisions of the Flow-Through Agreement, the FT Shares will be "flow-through shares" as defined in subsection 66(15) of the Act and such FT Shares will not constitute "prescribed shares", for purposes of Section 6202.1 of the Regulations to the Act;
- (lv) other than certain filings agreed to be made by the Corporation pursuant to the applicable Flow-Through Agreements, no consents, approvals, authorizations or orders are required under the laws of any jurisdiction or of any court or governmental agency or body or any stock exchange applicable to the Corporation (except those contemplated herein and those that have been obtained) to ensure that the FT Shares will constitute "flow-through shares" within the meaning of subsection 66(15) of the Act;
- (lvi) the Corporation has not entered into any agreements or made any covenants with any parties with respect to the renunciation of CEE, which amounts have not been fully expended and renounced as required thereunder;
- (lvii) the representations and warranties of the Corporation in the Flow-Through Agreement are, or will on the Closing Date be, true and correct and the Corporation will fulfill its obligations and comply with all the covenants, terms and conditions of the Flow-Through Agreement and the subscription funds for the FT Shares will be expended in accordance with the terms of the Flow-Through Agreement and the provisions hereof;
- (lviii) the Corporation has not entered into any agreements or made any covenants with any parties that would restrict the Corporation from entering into the Flow-Through Agreement and agreeing to incur (or being deemed to incur pursuant to subsection 66(12.61) of the Act) and renounce Qualifying Expenditures during the Expenditure Period in accordance with the Flow-Through Agreement, nor that would require the prior renunciation to any other person of Qualifying Expenditures prior to the renunciation of the aggregate Commitment Amount in favour of the subscribers of the FT Shares and the Corporation has no outstanding obligations to incur and renounce Qualifying Expenditures to any persons. The Corporation will incur (or be deemed to incur pursuant to subsection 66(12.61) of the Act) and renounce to each subscriber of FT Shares effective on or before December 31, 2007, Qualifying Expenditures in an amount equal to the Commitment Amount;

- (lix) the Corporation covenants and agrees:
- (A) to keep proper books, records and accounts of all Qualifying Expenditures and all transactions affecting the aggregate Commitment Amount and the Qualifying Expenditures, and upon reasonable notice and on a reasonable basis, to make such books, records and accounts available for inspection and review by or on behalf of the FT Purchaser;
 - (B) to incur, subsequent to the Closing Date and during the Expenditure Period, Qualifying Expenditures in an amount not less than the Commitment Amount so as to enable the Corporation to renounce to the FT Purchasers effective December 31, 2007, in accordance with the Act and the Flow-Through Agreement, Qualifying Expenditures in an amount equal to the Commitment Amount;
 - (C) it will timely file all forms required under the Act with respect to the issuance of the FT Shares as "flow-through shares" as defined in subsection 66(15) of the Act or that are necessary to effectively renounce Qualifying Expenditures equal to the Commitment Amount to the FT Purchasers as provided in the Flow-Through Agreements (including, for greater certainty, the forms prescribed by subsections 66(12.7) and 66(12.68) of the Act), and will provide the FT Purchasers with a copy of all such forms as are required to be provided on a timely basis;
 - (D) that all Qualifying Expenditures renounced to the FT Purchasers pursuant to the Flow-Through Agreement will be Qualifying Expenditures incurred by the Corporation that, but for the renunciation to the FT Purchasers, the Corporation would be entitled to deduct in computing its income for the purposes of Part I of the Act;
 - (E) that, in the event that the Minister of National Revenue or the CRA determines that the Corporation cannot renounce to the FT Purchasers Qualifying Expenditures equal to the Commitment Amount, the Corporation shall renounce such lesser amount as is permitted by the provisions of the Act without any prejudice to any other rights the FT Purchasers may hereunder or under the Flow-Through Agreement;
 - (F) that the Corporation will not reduce the amount of Qualifying Expenditures renounced to each FT Purchaser under the Flow-Through Agreement and, in the event the Minister of National Revenue or CRA reduces the amount renounced to a FT Purchaser hereunder pursuant to subsection 66(12.73) of the Act, the Corporation shall indemnify such FT Purchaser as to, and pay to such FT Purchasers in full settlement thereof, an amount equal to the amount of any tax payable under the Act (and under any corresponding provincial legislation) (but excluding any interest or penalties) by such FT Purchasers as a consequence of such reduction, such payment to be provided on a timely basis once the amount is determined;
 - (G) that if the Corporation renounces to the FT Purchasers Qualifying Expenditures in an amount less than the Commitment Amount effective

on or before December 31, 2007, and as the sole recourse to the FT Purchasers for such failure, the Corporation shall indemnify the FT Purchasers as to, and pay to the FT Purchasers in full settlement thereof, an amount equal to the amount of any tax payable under the Act (and under any corresponding provincial legislation) by the FT Purchasers as a consequence of such failure, such payment to be provided on a timely basis once the amount is determined;

- (H) that the Corporation will maintain its status as a Principal Business Corporation throughout the Expenditure Period;
- (I) that the Corporation will not knowingly renounce any Qualifying Expenditure to a trust, corporation, or partnership with which the Corporation has a prohibited relationship as defined in subsection 66(12.671) of the Act;
- (J) that the Corporation will not be subject to the provisions of subsection 66(12.67) of the Act in a manner which impairs its ability to renounce Qualifying Expenditures to the FT Purchasers in an amount equal to the Commitment Amount; and
- (K) that the Corporation will refrain from entering into transactions or taking deductions which would otherwise reduce its cumulative CEE to an extent it would preclude renunciation of Qualifying Expenditures under the Flow-Through Agreement in an amount equal to the Commitment Amount as contemplated therein and shall renounce CEE pursuant to the Flow-Through Agreement before renouncing CEE pursuant to any other agreement entered into by the Corporation after the Closing Date;

Short-Form Offering Matters

- (lx) as at November 8, 2007, the Corporation will be qualified to use a short form prospectus in the Qualifying Provinces as prescribed by NI 44-101; and
- (lxi) the Corporation has not completed any "significant acquisition" for the purposes of Part 8 of NI 51-102 (unless exempt), nor is the Corporation contemplating any proposed acquisition that has progressed to a state where a reasonable person would believe that the likelihood of such acquisition being completed is high and which would be a "significant acquisition" for the purposes of Part 8 of NI 51-102 if completed, that in either case would require the inclusion of any additional financial statements or pro forma financial statements in the Preliminary Prospectus or the Prospectus pursuant to Applicable Securities Laws.

9. Indemnity

- (a) The Corporation shall indemnify and save harmless each Underwriter and its affiliates, shareholders, directors, officers, employees, partners, agents and each other person, if any, controlling an Underwriter or any of its affiliates (collectively, the "**Indemnified Parties**") from and against all actual or threatened claims, actions, suits, investigations and proceedings (collectively, the "**Proceedings**") and all losses (other than loss of profit or similar economic loss in connection with the distribution of the Offered Shares),

expenses, fees, damages, obligations, payments and liabilities, joint or several (collectively, the "**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 breach of or default under representation, warranty or covenant or agreement of the Corporation in this Agreement or any other document to be delivered pursuant hereto;
- (ii) any information or statement contained in the Preliminary Prospectus, the Prospectus, the Wrap, any Supplementary Material or in any other document or material filed or delivered pursuant hereto (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, Prospectus, Wrap, Supplementary Material 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;
- (iii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, Prospectus, Wrap, Supplementary Material or such other part of the Public Record) contained in the Preliminary Prospectus, the Prospectus, any Supplementary Material or in any other document or any other part of the Public Record filed by or on behalf of the Corporation;
- (iv) any misrepresentation contained in the Due Diligence Session Responses, excluding any such responses in respect of forward-looking information or projections;
- (v) 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 9(a)(iii);
- (vi) 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
- (vii) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the Exchange or any representation, warranty, term or condition of this

Agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto;

- (viii) the exercise by any purchaser of Offered Shares of any contractual or statutory right of rescission in connection with the purchase of the Offered Shares;

except 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 willful misconduct of the Indemnified Party claiming indemnity, in which case this indemnity shall not apply (provided that, for greater certainty, the foregoing shall not disentitle the Underwriters from claiming indemnification hereunder to the extent that negligence, if any, relates to the failure of the Underwriters to conduct adequate "due diligence").

- (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 of the Preliminary Prospectus, the Prospectus, Wrap, or 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 (A) 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 (B) 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 7 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 Corporation 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 Corporation, such consent not to be unreasonably withheld, and the Corporation shall not be liable for any settlement of any Proceeding made without its 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, the Wrap or 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, the Wrap or 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 9 and 10 hereof are to the fullest extent possible in law cumulative and not alternative and the election by any Underwriter or other Indemnified 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 to constitute each of the Underwriters as trustee for the Indemnified Parties for the purposes of Sections 9 and 10 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 Corporation waives any right it may have of first requiring an Indemnified Party 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 Party to incur expense or make payment before enforcing such indemnity.

10. 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 the Corporation on grounds of policy or otherwise, the Corporation 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 10(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 10(a) above but also to reflect the relative fault of the Underwriters on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters. In the case of liability arising out of the Preliminary Prospectus, the Prospectus, the Wrap or 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 9 relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of, the Corporation or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in Section 9.

The amount paid or payable by an Indemnified Party as a result of any Proceedings or Liabilities shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Party 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 10

shall be in addition to, and without prejudice to, any other right to contribution which the Underwriters or other Indemnified Parties may have.

Any liability of the Underwriters under this Section 10 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.

11. Expenses

Whether or not the transactions contemplated herein shall be completed, all costs and expenses (including applicable GST) of or incidental to the transactions contemplated hereby, including those relating to the distribution of the Offered Shares, shall be borne by the Corporation, including (i) all costs and expenses of or incidental to the preparation, filing and reproduction (including the commercial copies thereof) of the Preliminary Prospectus, the Prospectus, the Wrap and any Supplementary Material and the delivery thereof to the Underwriters, (ii) the fees and expenses of the Corporation's counsel, (iii) the fees and expenses of agent counsel retained by the Corporation or the Corporation's counsel, (iv) the fees and expenses of the Corporation's transfer agent, auditors, engineers and other outside consultants, (v) all stock exchange listing fees, (vi) the cost of preparing record books for all of the parties to this Agreement and their respective counsel, (vii) the expenses related to audio-visual and teleconference presentations, including the costs associated with audio-visual personnel, hotel, food and travel expenses incurred in connection with marketing meetings, and reasonable hotel and travel expenses for the Underwriters incurred in connection with the marketing meetings, (viii) the reasonable fees and expenses of the Underwriters' counsel plus reasonable disbursements and GST (to a maximum of \$75,000 in respect of professional fees, exclusive of disbursements and applicable taxes), (ix) the fees and expenses related to any newspaper advertisements, and (x) all reasonable out-of-pocket expenses incurred by the Underwriters in connection with the offering and sale of the Offered Shares.

12. 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 or the Additional Closing Time, as applicable:
 - (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 Exchange or any other competent authority, and has not been rescinded, revoked or withdrawn;
 - (ii) any inquiry, action, suit, investigation (whether formal or informal) or other proceeding 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, the Exchange or by any other competent authority, or there is any

change of law, regulation or policy 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 Offered Shares;

- (iii) there should occur any material change, change of a material fact, occurrence or event of the nature referred to in subsection 7(a) or any development that could result in a material change or change of a material fact and 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 assets, properties, 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, or be announced, any event, action, state, condition or major financial occurrence of national or international consequence, any law, action, regulation or any other occurrence of any nature whatsoever, which, in the sole opinion of the Underwriters, or any one of them, acting reasonably, seriously adversely affects, or involves, or is expected to seriously adversely affect, or involve, the financial markets generally or the assets, properties, business, operations or affairs of the Corporation (on a consolidated basis), such that it would not be practical (in the sole opinion of the Underwriters, or any one of them, acting reasonably) to market the Offered Shares;
 - (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 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 (on a consolidated basis), (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 12(a) or Sections 13 or 17 notwithstanding any material change, change, event or state of facts and 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 12(a) or Sections 13 or 17 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 9, 10, 11 or 18. The rights of the Underwriters to terminate their obligations hereunder are in addition to, and without prejudice to, any other remedies they may have.

13. Closing Documents

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

- (a) legal opinions of the Corporation's 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, substantially to the effect that:
 - (i) the Corporation has been duly incorporated, amalgamated or formed, 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) that the authorized capital of the Corporation consists of an unlimited number of Common Shares;
 - (iii) 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, including the Underwriters' Option, and the Agreement has been duly authorized, executed and delivered by the Corporation and constitute a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms subject to normal qualifications including those relating to creditors' rights generally and except that rights to indemnity and contribution may be limited or unavailable by applicable law;
 - (iv) the execution and delivery of this Agreement and the fulfillment of the terms hereof and thereof by the Corporation, and the performance of and compliance with the terms of this Agreement by the Corporation does not and will not result in a breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under:
 - (A) any statute, rule or regulation of the Province of Alberta or the laws of Canada applicable therein;
 - (B) any term, condition or provision of the articles, by-laws, constating documents or resolutions of the directors (or any committee thereof) or shareholders of the Corporation;
 - (C) the Material Agreements or, of which counsel is aware, any other mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party

or by which it is bound as at the date hereof or on the Closing Date or the Additional Closing Date, as applicable; or

(D) 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 or its properties or assets;

- (v) the Corporation is a "reporting issuer" not in default of any requirement of the *Securities Act* (Alberta) and the regulations thereunder and has a similar status under the Applicable Securities Laws of each of the other Qualifying Provinces and is eligible to participate in NI 44-101 in each Qualifying Province;
- (vi) the form of the definitive certificate representing the Common Shares has been approved and adopted by the Corporation and complies with all legal requirements (including all applicable requirements of the Exchange) relating thereto;
- (vii) the Offered Shares have been validly authorized and when issued by the Corporation will be outstanding as fully paid and non-assessable Common Shares;
- (viii) that the Offered Shares, if, as and when listed on a prescribed stock exchange, will be qualified investments under the Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans;
- (ix) the attributes of the Offered Shares conform in all material respects with the description thereof contained in the Prospectuses;
- (x) except such as have been made or obtained under the Applicable Securities Laws, no consent, approval, authorization or order of or filing, registration or qualification with any court, governmental agency or body or regulatory authority is required, for the execution, delivery and performance by the Corporation of this Agreement or the consummation by the Corporation of the transactions contemplated herein;
- (xi) 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; and
- (xii) the Corporation has the necessary power and authority to execute and deliver the Prospectuses and all necessary action has been taken by the Corporation to authorize the execution and delivery by it of the Prospectuses and the filing

thereof, as the case may be, in each of the Qualifying Provinces in accordance with Applicable Securities Laws;

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.

- (b) in the event that a U.S. Person has agreed to purchase Offered Shares, the Underwriters shall have received at the Closing Time or the Additional Closing Time, as applicable, a legal opinion from the Corporation's United States counsel dated the Closing Date or the Additional Closing Date, as applicable, in form and substance satisfactory to counsel to the Underwriters, addressed to the Underwriters and counsel to the Underwriters to the effect that no registration of the Offered Shares will be required under the U.S. Securities Act, in connection with the offering of the Offered Shares for sale in the United States, provided that the sale of Offered Shares in the United States is made in accordance with the terms set out in this Agreement, including Schedule "A" hereto;
- (c) the Underwriters shall have received at the Closing Time or the Additional Closing Time, as applicable, certificates dated the Closing Date or the Additional Closing Date, as applicable, addressed to the Underwriters and the Underwriters' counsel and signed by appropriate officers of the Corporation, with respect to the articles and by-laws of the Corporation, all resolutions of the board of directors of the Corporation, relating to this Agreement and the issuance and sale of the Offered Shares, the incumbency and specimen signatures of signing officers of the Corporation and with respect to such other matters as the Underwriters may reasonably request;
- (d) the Underwriters shall have received at the Closing Time or the Additional Closing Time, as applicable, a certificate or certificates dated the Closing Date or the Additional Closing Date, as applicable, addressed to the Underwriters and to counsel to the Underwriters and signed on behalf of the Corporation by the Chief Executive Officer and by the Chief Financial Officer of the Corporation, or other officers of the Corporation acceptable to the Underwriters, certifying for and on behalf of the Corporation after having made due enquiry and after having carefully examined the Prospectus and any Supplemental Material, that:
 - (i) since the respective dates as of which information is given in the Prospectus, as amended by any Supplemental Material, (A) there has been no material change (actual, anticipated, contemplated, proposed or threatened, whether financial or otherwise) in the business, affairs, business prospects, operations, assets, liabilities or obligations (absolute, accrued, contingent or otherwise), capital or ownership of the Corporation and (B) no transaction has been entered into by the Corporation which is material to the Corporation, other than as disclosed in the Prospectus or any Supplemental Material, as the case may be;

- (ii) there are no contingent liabilities affecting the Corporation which are material to the Corporation, other than as disclosed in the Prospectus or any Supplemental Material, as the case may be;
 - (iii) no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Common Shares, or any other securities of the Corporation, has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened under any of the Applicable Securities Laws or by any other regulatory authority;
 - (iv) the Corporation has complied with and satisfied in all material respects the covenants, terms and conditions of this Agreement on its part to be complied with and satisfied up to the Closing Time or the Additional Closing Time, as applicable;
 - (v) the representations and warranties of the Corporation contained in this Agreement are true and correct in all material respects as of the Closing Time or the Additional Closing Time, as applicable, with the same force and effect as if made at and as of the Closing Time or the Additional Closing Time, as applicable, after giving effect to the transactions contemplated by this Agreement; and
 - (vi) such other matters as the Underwriters may reasonably request;
- (e) a letter of the Corporation's auditors, addressed to the Underwriters and dated the Closing Date or the Additional Closing Date, as applicable, satisfactory in form and substance to the Underwriters, acting reasonably, bringing the information contained in the "long-form comfort letter" or letters referred to in subsection 5(c) up to the Closing Time or the Additional Closing Time, as applicable, which letter shall be not more than two Business Days prior to the Closing Date or the Additional Closing Date, as applicable;
 - (f) evidence satisfactory to the Underwriters that the Offered Shares have been conditionally approved by the Exchange for listing on the Exchange, subject to filing documentation which the Corporation will be in a position to complete immediately following the Closing Time and the Additional Closing Time, as applicable; and
 - (g) such other certificates and documents as the Underwriters may request, acting reasonably.

14. Deliveries

- (a) The sale of the Initial 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 13 and the provisions hereof, the Underwriters, on the Closing Date, shall pay to the Corporation the purchase price for the Initial Shares by wire transfer in immediately available funds, payable on a same day basis at par in the City of Calgary to the Corporation against delivery by the Corporation of:
 - (i) the opinions, certificates and documents referred to in Section 13;

- (ii) definitive certificates representing, in the aggregate, all of the Initial Shares registered in such name or names as Canaccord Capital Corporation on behalf of the Underwriters shall notify the Corporation in writing not less than forty-eight (48) hours prior to the Closing Time; and
 - (iii) a certified cheque or bank draft payable to Canaccord Capital Corporation on a same day basis at par in the City of Calgary representing the Underwriting Fee provided for in Section 2 and the fees and expenses referred to Section 11 hereof (or alternatively, such amount may be deducted from the purchase price for the Initial Shares paid by the Underwriters to the Corporation, as directed by Canaccord Capital Corporation).
- (b) The sale of the Option Shares shall be completed at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree, on the Closing Date or on a date up to 30 days from the Closing Date (the "**Additional Closing Date**") and at the time ("**Additional Closing Time**") specified by the Underwriters in the written notice given by the Underwriters pursuant to their election to purchase such Option Shares. Subject to the conditions set forth in Section 13 and the provisions hereof, the Underwriters, on the Additional Closing Date, shall pay to the Corporation the purchase price for the Option Shares by wire transfer (except where the aggregate payment is less than \$25 million and the Corporation and the Underwriters agree to complete such payment by certified cheque or bank draft) in immediately available funds, payable on a same day basis at par in the City of Calgary to the Corporation against delivery by the Corporation of:
- (i) the opinions, certificates and documents referred to in Section 13;
 - (ii) definitive certificates representing, in the aggregate, all of the Option Shares registered in such name or names as Canaccord Capital Corporation on behalf of the Underwriters shall notify the Corporation in writing not less than twenty-four (24) hours prior to the Additional Closing Time; and
 - (iii) a certified cheque or bank draft payable to Canaccord Capital Corporation on a same day basis at par in the City of Calgary representing the Underwriting Fee provided for in Section 2 and the fees and expenses referred to Section 11 hereof (or alternatively, such amount may be deducted from the purchase price for the Option Shares paid by the Underwriters to the Corporation, as directed by Canaccord Capital Corporation).

15. **Restrictions on Offerings**

The Corporation agrees that, from the date hereof and ending on the date that is 90 days following the Closing Date, it will not directly or indirectly, issue, or announce an intention to issue, any Common Shares or any securities convertible into or exchangeable for Common Shares at a price per Common Share less than \$1.83 in respect of any Common Share offerings and at a price less than \$2.21 per Common Share issued on a flow-through basis in respect of any Common Share offerings issued on a flow-through basis without the prior written consent of Canaccord Capital Corporation on behalf of the Underwriters, such consent not to be unreasonably withheld, other than for the purposes of directors', officers' or employee stock options and the issuance of Common Shares pursuant to any currently outstanding instruments.

16. 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:

- (a) in the case of the Corporation:

Southern Pacific Resource Corp.

606, 816 – 7th Avenue S.W.
Calgary, Alberta T2P 1A1

Attention: Mr. David M. Antony, Chief Executive Officer

Facsimile No.: (403) 265-3565

with a copy to:

Davis LLP

3000, 400 – 4th Avenue S.W.
Calgary, Alberta T2P 0J4

Attention: Trevor Wong-Chor

Facsimile No.: (403) 296-4474

- (b) in the case of the Underwriters:

Canaccord Capital Corporation

2200, 450 – 1st Street S.W.
Calgary, Alberta T2P 5P8

Attention: Timothy J. Hart

Facsimile No.: (403) 508-3866

Orion Securities Inc.

1210, 335 – 8th Avenue S.W.
Calgary, Alberta T2P 1C9

Attention: Kevin J. Smith

Facsimile No.: (403) 263-9794

Genuity Capital Markets

1700 Stock Exchange Tower
300 – 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Attention: Tony P. Loria

Facsimile No.: (403) 266-1755

and a copy to:

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

Attention: Chip Johnston
Facsimile No.: (403) 265-7219

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. 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. 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.

17. 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 Initial 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.

18. Survival of Representations and Warranties

All representations, warranties, terms and conditions herein (including, without limitation, those contained in Section 8) 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.

19. 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 Initial Shares set forth opposite their names set forth in this Section 19; and

- (b) subject to the provisions of subsection 19(d), if any of the Underwriters (the "**Refusing Underwriters**") shall not complete the purchase of the Initial Shares which they have agreed to purchase hereunder for any reason whatsoever, the other Underwriters (the "**Continuing Underwriters**") shall be entitled, at their option but shall not be obligated, to purchase, on a pro rata basis or on such other proportions as they may agree, all, but not less than all, of the Initial Shares which would otherwise have been purchased by the Refusing Underwriters (the "**Refusing Underwriters' Shares**"). In the event that such option is not exercised, the Continuing Underwriters shall be relieved of all obligations to the Corporation with respect to the Refusing Underwriters' Shares. Nothing in this Section 19 however shall relieve any Refusing Underwriter who is in default hereunder from liability to the Corporation.
- (c) if the Continuing Underwriters shall not elect to purchase the Refusing Underwriters' Shares:
 - (i) the Continuing Underwriters shall not be obliged to purchase any of the Initial Shares and shall be relieved of all obligations to the Corporation (other than under Section 10, if applicable);
 - (ii) the Corporation shall not be obliged to sell less than all of the Initial Shares; and
 - (iii) the Corporation shall be entitled to terminate its obligations under this Agreement in which event there shall be no further liability on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may thereafter arise under Sections 9, 10 or 11 herein; and
- (d) if one or more of the Underwriters shall fail or refuse to purchase its or their applicable percentages set forth in this subsection 19(d) of the aggregate amount of the Initial Shares at the Closing Time or at the Additional Closing Time, as applicable, and the aggregate amount of such Initial Shares which such Refusing Underwriting or Underwriters agreed to purchase, but failed or refused to purchase, is less than or equal to 5% of the aggregate amount of the Initial Shares to be purchased on such date, the non-Refusing Underwriters shall be obligated severally, and not jointly and severally, in the proportions that the respective percentages set forth opposite their names in this subsection 19(d) bear to the aggregate of the percentages set forth opposite the names of all such non-Refusing Underwriters, to purchase the Initial Shares which such Refusing Underwriter or Underwriters agreed but failed or refused to purchase at such time. The applicable percentage of the total number of Initial Shares which each of the Underwriters shall be separately obligated to purchase is as follows:

Canaccord Capital Corporation	65.0%
Orion Securities Inc.	25.0%
Genuity Capital Markets	10.0%
TOTAL:	<u>100%</u>

Nothing in this Agreement shall obligate the Corporation to sell to the Underwriters less than all of the Initial 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.

20. 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 Canaccord Capital Corporation, 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 9 or 10, any matter referred to in Section 12 or any agreement under Section 19.

21. Underwriters' Covenants

Each of the Underwriters, severally, but not jointly, 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 the U.S. as provided herein except as approved by the Corporation and provided that such sales are made in accordance with the applicable securities laws of such jurisdictions;
- (c) not 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; and
- (d) as soon as reasonably practicable after the Closing Date, but not later than 30 days following 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.

22. U.S. Offers

- (a) The Underwriters, severally, but not jointly, make the representations, warranties and covenants applicable to them in Schedule "A" hereto and, severally, but not jointly, agree, on behalf of themselves and their U.S. Affiliates, for the benefit of the Corporation, to comply with the selling restrictions imposed by the laws of the United States and set forth in Schedule "A" hereto, which is incorporated by reference herein and made a part

hereof. 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 "A" 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 "A" if the former Underwriter is not itself also in violation.

- (b) The Corporation represents, warrants and agrees that (i) none of the Corporation, its affiliates 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 under the U.S. Securities Act ("**Regulation S**") with respect to the Offered Shares; (ii) none of the Corporation, its affiliates 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 Rule 502(c) of Regulation D under the U.S. Securities Act) or in violation of Regulation M under the Securities Exchange Act of 1934, as amended the "**U.S. Exchange 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 Common 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, as amended; (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 quotation 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 U.S. Securities Act) of less than 10% for securities so listed or quoted; (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 U.S. 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; and (vii) except as permitted by Schedule "A" hereto, the Corporation has not, within the six months prior to the date hereof, sold, offered for sale or solicited any offer to buy any of its securities (including the Offered Shares) to any person in the United States. The Corporation also makes the representations, warranties and covenants applicable to it in Schedule "A" hereto.

23. **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.

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

The Corporation: (i) acknowledges and agrees that the Underwriters have certain statutory obligations as registrants under the Applicable Securities Laws and have fiduciary relationships with their clients; (ii) acknowledges and agree that the Underwriters are neither the agents of the Corporation nor otherwise fiduciaries of the Corporation; and (iii) consents to the Underwriters

acting hereunder while continuing to act for their clients. To the extent that the Underwriters' statutory obligations as registrants under the Applicable Securities Laws or fiduciary relationships with their clients conflicts with their obligations hereunder the Underwriters shall be entitled to fulfil their statutory obligations as registrants under the Applicable Securities Laws and their duties to their clients. Nothing in this Agreement shall be interpreted to prevent the Underwriters from fulfilling their statutory obligations as registrants under the Applicable Securities Laws or to act as a fiduciary of their clients.

It is the intention of the Corporation to constitute each of the Underwriters as agent for the FT Purchasers for the purposes of Sections 8(c) hereof and the Underwriters, or any of them, shall be entitled, to enforce such covenants on behalf of any other FT Purchasers, in its sole discretion.

25. 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.

26. 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.

27. Time of the Essence

Time shall be of the essence of this Agreement.

28. 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.

29. 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.

30. Entire Agreement

(a) It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation in respect of the Offered Shares, including the letter agreement dated and accepted November 7, 2007

and the underwriting agreement (the "**Initial Agreement**") dated effective November 1, 2007 between the Underwriters and the Corporation, other than pursuant to subsection 30(b) below.

- (b) Notwithstanding subsection 30(a), it is acknowledged and agreed by each of the Corporation and the Underwriters that:
 - (i) Sections 9 and 10 of the Initial Agreement shall continue in full force and effect;
 - (ii) the Underwriters are not entitled an "Underwriting Fee" (as defined in the Initial Agreement) in respect of the Initial Agreement, as the consideration of the services of the Underwriters hereunder is limited to the Underwriting Fee pursuant to Section 2 hereof;
 - (iii) the costs and expenses (including applicable GST) of or incidental to the transactions contemplated under the Initial Agreement (as set forth in Section 12 of the Initial Agreement) shall be included in the costs and expenses incurred by the Underwriters in connection with the offering and sale of the Offered Shares pursuant to Section 12 hereof, other than the reasonable fees and expenses of the Underwriters' counsel plus reasonable disbursements and GST in respect of the Initial Agreement and this Agreement, which are limited to a maximum of \$75,000 in respect of professional fees, exclusive of disbursements and applicable taxes.

Rest of page left intentionally blank.

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

CANACCORD CAPITAL CORPORATION

Per: "Timothy J. Hart"

ORION SECURITIES INC.

Per: "Kevin J. Smith"

GENUITY CAPITAL MARKETS

Per: "Tony P. Loria"

ACCEPTED AND AGREED to as of the 8th
day of November, 2007.

SOUTHERN PACIFIC RESOURCE CORP.

Per: "David M. Antony"

SCHEDULE "A"

UNITED STATES OFFERS AND SALES

As used in this Schedule "A", capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the underwriting agreement to which this Schedule is annexed and the following terms shall have the meanings indicated:

- (a) **"Directed Selling Efforts"** means directed selling efforts as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares 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 Offered Shares;
- (b) **"Institutional Accredited Investor"** means an accredited investor, as defined in Rule 501(a) of Regulation D, that satisfies the requirements of Rule 501(a)(1), (2), (3) or (7);
- (c) **"Qualified Institutional Buyer"** means a qualified institutional buyer as that term is defined in Rule 144A;
- (d) **"Regulation D"** means Regulation D adopted by the SEC under the U.S. Securities Act;
- (e) **"Regulation S"** means Regulation S adopted by the SEC under the U.S. Securities Act;
- (f) **"Rule 144A"** means Rule 144A adopted by the SEC under the U.S. Securities Act;
- (g) **"SEC"** means the United States Securities and Exchange Commission;
- (h) **"Substantial U.S. Market Interest"** means substantial U.S. market interest as that term is defined in Regulation S;
- (i) **"U.S. Exchange Act"** means the United States Securities Exchange Act of 1934, as amended;
- (j) **"U.S. Securities Act"** means the United States Securities Act of 1933, as amended; and
- (k) **"United States"** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

All other capitalized terms used but not otherwise defined in this Schedule "A" shall have the meanings assigned to them in the Agreement to which this Schedule "A" is attached.

Representations, Warranties and Covenants of the Underwriters

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

1. It has not offered and sold, and will not offer and sell, any Offered Shares except (a) in an offshore transaction in accordance with Rule 903 of Regulation S or (b) in the United States as provided in paragraphs 2 through 11 below. Accordingly, neither such Underwriter, its affiliates nor any persons acting on its or their behalf, has made or will make (except as permitted in paragraphs 2 through 11 below) (i) any offer to sell or any solicitation of an offer to buy, any Offered Shares to any person in the United States, (ii) any sale of Offered Shares to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States, or such Underwriter, affiliate or person acting on behalf of either reasonably believed that such purchaser was outside the United States, or (iii) any Directed Selling Efforts in the United States with respect to the Offered Shares.
2. It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Shares, except with its affiliates, any Selling Group Members or with the prior written consent of the Corporation. It shall require each Selling Group Member to agree, for the benefit of the Corporation, to comply with, and shall use its best efforts to ensure that each Selling Group Member complies with, the same provisions of this Schedule as apply to such Underwriter as if such provisions applied to such Selling Group Member.
3. All offers and sales of Offered Shares in the United States shall be made through the Underwriter's U.S. registered broker-dealer affiliate ("U.S. Affiliate") in compliance with all applicable U.S. federal and state broker-dealer requirements. Such U.S. Affiliate is a Qualified Institutional Buyer and will be, on the date of each offer or sale of Offered Shares in the United States, duly registered as a broker-dealer pursuant to Section 15(b) of the U.S. Exchange Act and the securities laws of each state in which such offer or sale is made (unless exempted from the respective state's broker-dealer registration requirements) and a member of and in good standing with the Financial Industry Regulatory Authority (FINRA).
4. Offers and sales of Offered Shares in the United States have not been and shall not be made by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act.
5. Offers, sales and solicitations of offers to buy Offered Shares have been and shall be made exclusively (i) on behalf of the Underwriter or its U.S. Affiliate, acting as principal, in compliance with Rule 144A to persons reasonably believed to be Qualified Institutional Buyers, or (ii) on behalf of the Corporation in compliance with Rule 506 of Regulation D to persons reasonably believed to be Institutional Accredited Investors, and, in each case, in transactions that are exempt from registration under and in compliance with applicable state securities laws.
6. All purchasers of the Offered Shares in the United States shall be informed that the Offered Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold to such purchasers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or Rule 506 of Regulation D, as applicable, thereunder.
7. Each offeree of Offered Shares in the United States has been or shall be provided with one or both of the preliminary Wrap including the Preliminary Prospectus and the final Wrap including the Prospectus. Each purchaser of Offered Shares in the United States will have received prior to the time of purchase of any Offered Shares the final Wrap including the Prospectus.

8. Prior to completion of any sale of Offered Shares in the United States by the Corporation, each purchaser thereof will be required to execute a U.S. Purchaser's Letter in the form attached to the final Wrap ("**U.S. Purchaser's Letter**"). Each purchaser of Offered Shares in the United States that does not execute and deliver a U.S. Purchaser's Letter prior to the sale of Offered Shares shall be a Qualified Institutional Buyer purchasing the Offered Shares from the Underwriter or its U.S. Affiliate and shall be deemed to have made, at the time of purchase, the representations, warranties and covenants set forth in the final Wrap.
9. Prior to the Closing Time and the Additional Closing Time, as applicable, it will provide the Corporation and its transfer agent with a list of all purchasers of the Offered Shares in the United States. Prior to the Closing Time and the Additional Closing Time, as applicable, it will provide the Corporation with copies of all U.S. Purchaser's Letters for acceptance by the Corporation.
10. At the Closing Time and the Additional Closing Time, as applicable, each Underwriter will either (i) together with its U.S. Affiliate provide to the Corporation a certificate in the form of Exhibit A to this Schedule relating to the manner of the offer and sale of the Offered Shares in the United States, or (ii) be deemed to have represented and warranted to the Corporation, as of the Closing Time or the Additional Closing Time, as applicable, that it did not and will not offer or sell any of the Offered Shares in the United States.
11. None of the Underwriter, its affiliates or any person acting on behalf of any of them has violated or will violate Regulation M under the U.S. Exchange Act in connection with offers and sales of the Offered Shares.

Representations, Warranties and Covenants of the Corporation.

The Corporation represents, warrants, covenants and agrees that:

1. (a) The Corporation is, and at the Closing Time and the Additional Closing Time, as applicable, will be, a "foreign issuer" within the meaning of Regulation S and the Corporation reasonably believes that there is no Substantial U.S. Market Interest in any of its securities; (b) the Corporation is not now and as a result of the sale of Offered Shares contemplated hereby will not be, an open-end investment company, a unit investment trust or a face-amount certificate company registered or required to be registered or a closed-end investment company required to be registered, but not registered, under the United States Investment Company Act of 1940, as amended; (c) the Offered Shares are not, and as of the Closing Time and the Additional Closing Time, as applicable, will not be, and no securities of the same class as the Offered Shares are or will be, (i) listed on a national securities exchange registered under Section 6 of the U.S. Exchange Act, (ii) quoted in a "U.S. automated inter-dealer quotation system", as such term is used in Rule 144A, or (iii) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted; and (d) neither the Corporation nor any of its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.
2. During the period in which the Offered Shares are offered for sale, neither the Corporation nor any of its affiliates, nor any person acting on its or their behalf (except the Underwriters, their affiliates and any persons acting on any of their behalf, in respect of which no representation is made) (i) has made or will make any Directed Selling Efforts in the United States with respect to the Offered Shares, (ii) has engaged in or will engage in any form of general solicitation or

general advertising (as those terms are used in Regulation D) with respect to offers or sales of the Offered Shares in the United States, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising, (iii) has violated or will violate Regulation M under the U.S. Exchange Act in connection with offers and sales of the Offered Shares, (iv) has made or will make any offer or sale of the Offered Shares in the United States except through the Underwriters or their US Affiliates as set forth in this Schedule "A" or (v) has taken or will take any other action that would cause the exemptions or exclusions from registration provided by Rule 903 of Regulation S, Rule 144A or Rule 506 of Regulation D to be unavailable with respect to offers and sales of the Offered Shares pursuant to this Schedule "A".

3. The Corporation has not and will not, during the period beginning six months prior to the start of the offering of Offered Shares and ending six months after the completion of the offering of Offered Shares sell, offer for sale or solicit any offer to buy any of its securities in the United States in a manner that would be integrated with and would cause the exemption from registration provided by Rule 506 of Regulation D to be unavailable with respect to offers and sales of the Offered Shares pursuant to this Schedule "A".
4. For so long as any of the Offered Shares sold pursuant to Rule 144A are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and if the Corporation is not subject to and in compliance with the reporting requirements of Section 13 or Section 15(d) of the U.S. Exchange Act or exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Corporation will provide to any holder of such Offered Shares, or to any prospective purchaser of such Offered Shares designated by such holder, upon the request of such holder or prospective purchaser, at or prior to the time of resale, the information required to be provided by Rule 144A(d)(4).
5. The Corporation will complete and file with the SEC a notice on Form D within 15 days after the first sale of Offered Shares pursuant to Rule 506 of Regulation D, and will make such filings with state securities commissions as the Underwriters shall reasonably request.

EXHIBIT A

UNDERWRITERS' CERTIFICATE

In connection with the private placement in the United States of Offered Shares of Southern Pacific Resource Corp. (the "**Corporation**") pursuant to the Underwriting Agreement dated effective November 7, 2007 among the Corporation and the Underwriters named therein (the "**Underwriting Agreement**"), each of the undersigned does hereby certify as follows:

- (i) Canaccord Adams Inc. (the "**U.S. Affiliate**") was on the date of each offer or sale of Offered Shares we made in the United States, and is on the date hereof, duly registered as a broker-dealer pursuant to Section 15(b) of the U.S. Exchange Act and the securities laws of each state in which such offer or sale is made (unless exempted from the respective state's broker-dealer registration requirements) and a member of and in good standing with the Financial Industry Regulatory Authority (FINRA);
- (ii) all offers and sales of Offered Shares that we made in the United States were made by the U.S. Affiliate in compliance with all applicable U.S. federal and state broker-dealer requirements;
- (iii) we provided each offeree of Offered Shares in the United States a copy of one or both of the preliminary Wrap including the Preliminary Prospectus and the final Wrap including the Prospectus, and we provided each purchaser of Offered Shares in the United States, prior to the sale of Offered Shares to such purchaser, with a copy of the final Wrap including the Prospectus;
- (iv) immediately prior to our transmitting any such materials to an offeree of Offered Shares pursuant to Rule 144A, we had reasonable grounds to believe and did believe that each offeree was a Qualified Institutional Buyer and, on the date hereof, we continue to believe that each person purchasing Offered Shares from us in the United States is a Qualified Institutional Buyer; or
- (v) immediately prior to our transmitting any such materials to any other offeree of Offered Shares in the United States, we had reasonable grounds to believe and did believe that each offeree was an Institutional Accredited Investor and, on the date hereof, we continue to believe that each person purchasing Offered Shares from the Corporation in the United States is an Institutional Accredited Investor;
- (vi) no form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act) was used by us, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Offered Shares in the United States;
- (vii) prior to any sale of Offered Shares by the Corporation in the United States, we caused each purchaser thereof to execute a U.S. Purchaser's Letter in the form of Exhibit B attached to the final Wrap;
- (viii) we have reasonable grounds to believe and do believe that each purchaser of Offered Shares in the United States that has not executed and delivered a U.S. Purchaser's Letter

prior to the sale of Offered Shares is a Qualified Institutional Buyer purchasing the Offered Shares from us, and such person is deemed to have made, at the time of purchase, the representations, warranties and covenants set forth in the final Wrap; and

- (ix) the offering of the Offered Shares has been conducted by us in accordance with the terms of the Underwriting Agreement.

Terms used in this certificate have the meanings given to them in the Underwriting Agreement including Schedule "A" thereto, unless otherwise defined herein.

DATED this _____ day of November, 2007.

CANACCORD CAPITAL CORPORATION

CANACCORD ADAMS INC.

Per: _____

Per: _____