<u>EXECUTION VERSION</u>

CANORO RESOURCES LTD.

and

MASS FINANCIAL CORP.

INVESTMENT AGREEMENT

April 16, 2010

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INVESTMENT AGREEMENT

THIS Investment Agreement is dated April 16, 2010 by and between Canoro Resources Ltd., a corporation organized under the laws of the province of Alberta (the "**Company**") and Mass Financial Corp., a corporation organized under the laws of Barbados (the "**Purchaser**").

WHEREAS the Company has agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Company, in reliance upon the representations and warranties of the Company contained herein, Common Shares as set forth herein.

In consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

As used in this Agreement including the recitals hereto, the following terms have the following meanings:

"**Affiliate**" has the meaning assigned thereto in NI 45-106.

"**Agreement**" means this Investment Agreement and all appendices and instruments in amendment or confirmation thereof; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions mean and refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section or other subdivision of this Agreement.

"**Ancillary Agreements**" means the Debt Agreement and the Warrants, and "Ancillary Agreement" means any one of such agreements.

"**Assets**" means all personal property and assets of the Company and the Subsidiaries of every kind and wheresoever situate.

"**Business Day**" means any day other than Saturday, Sunday or a day on which chartered banks are closed for business in Vancouver, British Columbia.

"**Claim**" means any claim or liability of any nature whatsoever, including any demand, obligation, liability, debt, cause of action, suit, proceeding, judgment, award, assessment or reassessment.

"**Common Shares**" means the Common Shares of the Company.

"**Debt Agreement**" means the agreement related to the Senior Convertible Facility in substantially the form as attached to the Disclosure Letter.

"**Debt Financing**" means collectively the Senior Convertible Facility and the Senior Project Facility.

"**Disclosure Letter**" means the disclosure letter dated the date hereof regarding this Agreement that has been provided by the Company to the Purchaser.

"**Encumbrances**" means any mortgage, lien, pledge, assignment, charge, security interest, title retention agreement, hypothec, levy, execution, seizure, attachment, garnishment, trust or deemed trust or other claim in respect of property of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise) and includes arrangements known as sale and lease-back, sale and buy-back and sale with an option to buy-back.

"**Environment**" means the natural environment, including soil, land surface or subsurface strata, surface water, groundwater, sediment, ambient air (including all layers of the atmosphere), organic and inorganic matter and living organisms, and any other environmental medium or natural resource.

"**Environmental Laws**" means all applicable Laws relating to pollution, contamination or the protection or preservation of the Environment or to the generation, production, installation, use, storage, disposal, treatment, transportation, remediation, import, export, Release or threatened Release of Hazardous Substances.

"**Equity Financing**" means the issuance by the Company of Common Shares to the Purchaser on and subject to the terms and conditions of this Agreement, including Common Shares under the Private Placement and the Rights Offering and the Warrants.

"**Equity Securities**" means the Common Shares and all other securities convertible (including, without limitation, notes, debentures, other debt instruments, rights, warrants, subscription receipts and similar instruments but excluding grants under the Stock Option Plan or pursuant to the services contract among the Company and its Chief Executive Officer and a holding company dated December 2, 2009) into Common Shares or any other securities which carry voting rights exercisable in all circumstances or under circumstances that have occurred and are continuing or which carry a residual right to participate in the earnings of the Company and in its assets upon liquidation or winding-up to an unlimited degree.

"**Final Prospectus**" means the final short form prospectus to be filed by the Company with the securities regulatory authorities in each of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario in connection with the Rights Offering, the issuance of the Rights and offer and sale of the Rights Offering Shares and the Underlying Shares.

"**Financial Statements**" means the audited consolidated financial statements of the Company for the fiscal year ended March 31, 2009 and the unaudited consolidated financial statements for the interim periods ended June 30, September 30 and December 31, 2009, in each case together with the notes thereto forming part of the Public Disclosure Record.

"**GAAP**" means, at any time, accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time, applied on a consistent basis.

"**Governmental Authority**" means and includes, without limitation, any national, federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Governmental Charges**" means all taxes, levies, duties, assessments, reassessments and other similar charges and monetary impositions together with all related penalties, interest and fines, due and payable by the Company or any of the Subsidiaries (as applicable) to any domestic or foreign government (federal, provincial, state, municipal or otherwise) or to any regulatory authority, agency, commission, board or court of competent jurisdiction of any domestic or foreign government.

"**Hazardous Substances**" means any waste or other substance that is prohibited, listed, defined, designated or classified as dangerous, hazardous, radioactive, explosive, toxic, a pollutant, waste, or contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

"**Indemnified Parties**" has the meaning ascribed to it in Section 3.4.

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, policies, voluntary restraints, guidelines, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of them.

"**Material Adverse Effect**" means any fact or state of facts, circumstance, change, effect, occurrence or event that either individually or in the aggregate are, or individually or in the aggregate would reasonably be expected to: (a) be material and adverse to the business, operations, results of operations, properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), condition (financial or otherwise) or prospects of the Company and its Subsidiaries on a consolidated basis, other than general changes in the market price for oil and gas products; or (b) prevent the Company from performing its material obligations under this Agreement in any material respect.

"**Material Change**" means a "material change" as defined in Section 1(1) of the *Securities Act* (British Columbia).

"**Meeting**" means a meeting of the Shareholders for the purposes of, among other things, obtaining Shareholder Approval;

"**Misrepresentation**" means: (a) a "misrepresentation" as defined in Section 1(1) of the *Securities Act* (British Columbia); or (b) as to any document, any untrue statement of a material fact or omission to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

"**NI 45-106**" means National Instrument 45-106.

"**Parties**" means the Purchaser, the Company and any other Person who may become a party to this Agreement, and "**Party**" means any one of them.

"**Permit**" means any lease, license, permit, certificate, consent, order, grant, approval, classification, registration or other authorization of or from any Governmental Authority including, without limitation, as may be issued, granted, conferred or required by any Governmental Authority pursuant to any Environmental Laws.

"**Person**" means a natural person, partnership, limited partnership, company or corporation with or without share capital, joint stock company, trust, trustee, executor, administrator or other legal personal representative, unincorporated association, joint venture, syndicate, sole proprietorship or other entity or Governmental Authority, and pronouns have a similarly extended meaning.

"**Preliminary Prospectus**" means the preliminary short form prospectus to be filed by the Company with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario in connection with the Rights Offering, the issuance of the Rights and offer and sale of the Rights Offering Shares and Underlying Shares in a form approved by the Purchaser.

"**Private Placement**" means the issuance of the Private Placement Shares to the Purchaser.

"**Private Placement Closing Date**" means the date which is two Business Days after all of the conditions set forth in Sections 5.1(a), 5.2(a) and 5.3(a) have been satisfied or waived (other than those conditions which, by their nature cannot be satisfied until the time of the Private Placement Closing, but subject to the satisfaction or waiver of those conditions).

"**Private Placement Outside Date**" means five Business Days after the date of this Agreement.

"**Private Placement Shares**" has the meaning ascribed to it in Section 2.1.

"**Prospectus**" means, collectively, the Preliminary Prospectus, the Final Prospectus, and any Prospectus Amendment.

"**Prospectus Amendment**" means any amendment to the Preliminary Prospectus or the Final Prospectus.

"**Public Disclosure Record**" means documents filed by or on behalf of the Company on the System for Electronic Document Analysis Retrieval (SEDAR) since December 31, 2008.

"**Purchase Price**" has the meaning ascribed to it in Section 2.1.

"**Purchaser's Interest**" means the cumulative ownership interests of the Purchaser and its Affiliates in Common Shares, expressed as a percentage of the total issued and outstanding Common Shares, at the time of calculation.

"**Release**" means any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the Environment.

"**Representative Office**" means the Company's project office in India.

"**Reserves Report**" means the independent engineering report on the Company's oil and gas properties and interests in India of Sproule dated July 9, 2009 and effective as at March 31, 2009.

"**Returns**" means all reports, forms, elections, designations, schedules, statements, estimates, declarations of estimated tax, information statements and returns relating to, or required to be filed with any Governmental Authority in connection with, any Government Charges and including any other filings relating to Government Charges.

"**Rights**" means the Common Share purchase rights issued pursuant to the Rights Offering, each of which will entitle the holder thereof to purchase one Rights Offering Share at a subscription price equal to the Rights Price.

"**Rights Price**" means a subscription price of $0.10 per Common Share under each Right.

"**Rights Offering**" means the issuance to Shareholders by the Prospectus of Rights to purchase Rights Offering Shares in accordance with the terms and conditions in this Agreement and as described in the Preliminary Prospectus.

"**Rights Offering Closing**" means the completion of the purchase and sale of the Rights Offering Shares.

"**Rights Offering Closing Date"** means the date on which is two Business Days after all of the conditions set forth in Sections 5.1(b) and 5.2(b) have been satisfied or waived (other than those conditions which, by their nature cannot be satisfied until the Rights Offering Closing, but subject to the satisfaction or waiver of those conditions).

"**Rights Offering Commitment**" has the meaning ascribed thereto under Section 2.1(a)(ii) hereof;

"**Rights Offering Commitment Shares**" has the meaning ascribed thereto under Section 2.1(a)(ii) hereof;

"**Rights Offering Outside Date**" means 70 days after the date of this Agreement or such other date as may be agreed upon by the Parties hereto in writing.

"**Rights Offering Shares**" means the Common Shares offered for purchase to the Shareholders pursuant to the Rights Offering.

"**Securities Laws**" means the securities legislation in each of the Provinces of Canada and the rules and regulations made thereunder, and the orders and published policy statements of the securities commissions or other securities regulatory authorities in such jurisdictions, and the rules, regulations and policies of the TSX-V.

"**Senior Convertible Facility**" means the $35 million United States dollars revolving debt facility to be provided by the Purchaser to the Company.

"**Senior Project Facility**" means the $40 million United States dollars structured debt facility to be provided by the Purchaser to the Company on substantially the terms set forth in the term sheet between the Parties dated March 16, 2010.

"**Shareholder Approval**" means the approval by the Shareholders of the issuance of Common Shares under this Agreement pursuant to the Rights Offering Commitment and the issuance of Warrants as required by the TSX-V.

"**Shareholders**" means collectively, the holders of the Common Shares.

"**Sproule**" means Sproule International Limited.

"**Stock Option Plan**" means the incentive stock option plan of the Company dated August 11, 2003.

"**Subsidiaries**" means, collectively, Canoro Oil & Gas Limited, Amguri Oil & Gas Limited, Mariani Oil & Gas Limited, Canoro (Changpang) Oil & Gas Limited, Barrani Limited and Legasi Petroleum International Inc.

"**Support Agreement**" means the voting support agreement agreements between a certain Shareholder of the Company and the Purchaser and substantially in the form attached to the Disclosure Letter

"**Tax Act**" means the *Income Tax Act* (Canada).

"**Total Rights Offering Commitment**" means the aggregate number of Common Shares issuable pursuant to the exercise of the Rights under the Rights Offering.

"**TSX-V**" means the TSX Venture Exchange.

"**Underlying Shares**" means Common Shares issuable upon the exercise of the Warrants.

"**Warrants**" means warrants, each entitling the holder thereof to purchase one Common Share of the Company at an exercise price equal to the Rights Price, which shall be exercisable at any time within six months of the date of issuance thereof, substantially in the form attached hereto as Schedule "A".

1.2 Gender and Number

Any reference in this Agreement or any Ancillary Agreement to gender includes all genders and words importing the singular number only include the plural and vice versa.

1.3 Headings, etc.

The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect its interpretation.

1.4 Currency

All references in this Agreement or any Ancillary Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

1.5 Severability

If any provision of this Agreement is determined by an arbitrator or any court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect.

1.6 Entire Agreement

This Agreement and the Ancillary Agreements constitute the entire agreement between the Parties and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. If there is any conflict or inconsistency between the provisions of this Agreement and the provisions of any Ancillary Agreement, the provisions of this Agreement will govern.

1.7 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Company and the Purchaser.

1.8 Inclusion

Where the word "**including**" or "**includes**" is used in this Agreement it means "including (or includes) without limitation".

1.9 Accounting Terms

All accounting terms not specifically defined in this Agreement will be interpreted in accordance with GAAP.

1.10 Meaning of "Knowledge"

Any reference in this Agreement to the "knowledge" or the awareness of the Company, means the knowledge, information and belief of the senior management of the Company and the knowledge that each would have had following a reasonable inquiry into the relevant subject matter with appropriate employees of the Company and the Subsidiaries.

ARTICLE 2
PURCHASE AND SALE OF COMMON SHARES

2.1 Purchase and Sale

(a) The Purchaser hereby agrees to purchase from the Company, and the Company hereby agrees to issue and sell to the Purchaser, on the terms and subject to the conditions set out in this Agreement:

(i) at the Private Placement Closing, 24,798,000 Common Shares (collectively, the "**Private Placement Shares**"); and

(ii) subject to the Company obtaining Shareholder Approval, at the Rights Offering Closing, that number of Common Shares (the "**Rights Offering Commitment Shares**") equal to the Total Rights Offering Commitment less the number of Common Shares purchased by the holders of Rights pursuant to the exercise of Rights under the Rights Offering (the "**Rights Offering Commitment**"),

provided that the Purchaser may purchase, or cause to be purchased, such Common Shares from the Company by one or more of its Affiliates as it designates in a written notice to the Company not less than two Business Days prior to the Private Placement Closing Date or the Rights Offering Closing Date as applicable.

(b) The purchase price for the Common Shares to be purchased by the Purchaser pursuant to Section 2.1(a) (the "**Purchase Price**") shall be:

(i) a price of $0.13 per Private Placement Share, for an aggregate purchase price of $3,223,740 for the Private Placement Shares; and

(ii) a price equal to the Rights Price per Rights Offering Commitment Share, for an aggregate purchase price equal to such per share amount multiplied by the number of Common Shares to be purchased pursuant to the Rights Offering Commitment.

2.2 Rights Offering Commitment Fee

In consideration for the Purchaser agreeing to provide the Rights Offering Commitment and subject to the Company obtaining Shareholder Approval, the Company shall issue to the Purchaser, at the Rights Offering Closing, that number of Warrants that will entitle the Purchaser to, upon exercise thereof, purchase additional Common Shares equal to 25 percent of the Total Rights Offering Commitment.

2.3 Closing

The Private Placement Closing and the Rights Offering Closing will occur at the offices of Sangra Moller LLP at 8:00 a.m. (Vancouver time) on the Private Placement Closing Date (in the case of the Private Placement) or the Rights Offering Closing Date (in the case of the Rights

Offering) or, in either case, at such other time and/or on such other date and/or at such other place as the Company and the Purchaser may agree upon in writing. On such dates: (i) the Purchaser shall pay to the Company by wire transfer to an account specified in writing by the Company that portion of the Purchase Price payable by it in respect of the Private Placement Shares or Rights Offering Commitment Shares being purchased by it (net of any the Purchaser's expenses payable by the Company pursuant to Section 7.2), provided that the Purchase Price shall be paid by the Purchaser to the Company in United States dollars based upon the noon buying rate of the Bank of Canada for United States dollars on the Business Day preceding the Private Placement Closing Date or Rights Offering Closing Date, as applicable; (ii) the Company shall deliver to the Purchaser definitive certificates, registered in the manner specified in writing by the Purchaser, representing Private Placement Shares, the Rights Offering Commitment Shares being purchased by it and the Warrants; and (iii) the Parties shall deliver to each other the other agreements, certificates and other documents required to be delivered by them pursuant to the terms of this Agreement.

ARTICLE 3
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY

3.1 Representations and Warranties of the Company

Except as disclosed in the Disclosure Letter (with specific reference to the Section of this Agreement to which the information stated in such exception relates), the Company represents and warrants as follows as of the date hereof to the Purchaser and acknowledges and confirms that the Purchaser is relying upon such representations and warranties in connection with the purchase by the Purchaser of the Common Shares and the Debt Financing:

(a) **Formation and Existence.** The Company is a corporation that has been formed and is validly existing under the laws of Alberta. Each of the Subsidiaries and the Representative Office of the Company is an entity duly incorporated or otherwise duly formed and validly existing under the laws of its jurisdiction of incorporation or formation.

(b) **Corporate Power.** Each of the Company and the Subsidiaries has the corporate power to own, lease and operate its property and assets and to carry on its business.

(c) **Validity of Agreement.** The Company has all necessary power to enter into and perform its obligations under this Agreement and the Ancillary Agreements. The execution, delivery and performance by the Company of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company. This Agreement constitutes, and each of the Ancillary Agreements will, when executed and delivered by the Company, constitute legal, valid and binding obligations of the Company enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other Laws relating to or affecting the availability of equitable remedies and the enforcement of creditors' rights generally and general principles of equity and public policy and to the qualification that equitable remedies such as specific performance and injunction may be granted only in the discretion of a court of competent jurisdiction and that rights to indemnity and contribution may be limited by applicable Laws and to the fact that the *Currency Act* (Canada) precludes a court in Canada from giving judgment in any currency other than Canadian currency.

(d) **Consents, Approvals and Conflicts.** Neither the execution and delivery of this Agreement or the Ancillary Agreements nor the performance by the Company or any of the Subsidiaries of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated herein or therein do or will:

(i) require the consent, approval or authorization, order or agreement of, or registration or qualification with, any governmental agency, body or authority, court, stock exchange, securities regulatory authority or other Person, other than such as have been obtained; or

(ii) conflict with or result in any breach or violation of any of the provisions of, or constitute a default under, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Company or any Subsidiary is a party or by which any of them or any of the properties or assets thereof is bound, or the constating document of the Company or the Subsidiaries or any resolution passed by the directors (or any committee thereof) or securityholders of the Company or the Subsidiaries, or any statute or any judgment, decree, order, rule, policy or regulation of any court, governmental authority, arbitrator, stock exchange or securities regulatory authority applicable to the Company or the Subsidiaries or any of the properties or assets thereof, except as would not affect the Company or any of its Subsidiaries in any material respect.

(e) **Qualification.** Each of the Company, the Subsidiaries or the Representative Office of the Company is duly qualified, licensed or registered to carry on business in the jurisdictions it carries on business.

(f) **Authorized Capital.** The authorized capital of the Company consists of an unlimited number of Common Shares and Preferred Shares. As of the date of this Agreement, there are 114,013,162 Common Shares outstanding, all of which have been duly authorized and validly issued. As of the date of this Agreement, there are no Preferred Shares outstanding.

(g) **Ownership of Subsidiaries.** Each of the Subsidiaries is, directly or indirectly, wholly-owned by the Company and no Person has any right, option or other agreement with the Company regarding the shares of the Subsidiaries. The Company has no other subsidiaries other than the Subsidiaries. The Company has no material Subsidiaries.

(h) **Convertible Securities.** Except pursuant to or in connection with this Agreement, the Stock Option Plan, the Ancillary Agreements, the Rights Offering or the services contract among the Company and its Chief Executive Officer and a holding company dated December 2, 2009:

(i) the Company has no outstanding agreement, subscription, warrant, option or commitment (nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue or sell any Common Shares or other securities, including any security or obligation of any kind convertible into or exchangeable for any Common Share or other security;

(ii) there is no outstanding share appreciation right, phantom equity, restricted share unit, deferred share unit or similar right, agreement, arrangement or commitment based on the book value, Common Share price, income or any other attribute of the Company or any of the Subsidiaries; and

(iii) there is no outstanding securityholder agreement, proxy, voting trust, right to require registration under any applicable securities Laws or any other arrangement or commitment to which the Company or any of the Subsidiaries is a party or bound, with respect to the voting, disposition or registration of any outstanding securities of the Company or any of the Subsidiaries.

(i) **Shareholder Rights Plan.** The Company does not have in place, and its Shareholders have not adopted or approved, any shareholder rights plan or a similar plan giving rights to acquire additional Common Shares upon execution or performance of the obligations under this Agreement.

(j) **Options.** As at the date hereof, the Company has a total of 9,728,000 Common Share options outstanding under the Stock Option Plan and the list of optionholders that has been provided to the Purchaser by the Company is complete and accurate as at the date hereof.

(k) **Valid Issuance of Common Shares and Warrants.** The Common Shares and Warrants, when issued and delivered in accordance with the terms of this Agreement, will be duly and validly created and issued as fully paid and non-assessable Common Shares, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement or under applicable Securities Laws.

(l) **Valid Issuance of Underlying Shares.** The Underlying Shares issuable upon the exercise of the Warrants will be duly and validly authorized, allotted and reserved for issuance upon such conversion and will, upon the exercise of the Warrants in accordance with the terms of the Warrants, be validly issued as fully paid and non-assessable Common Shares.

(m) **Corporate Records.** The corporate records of each of the Company and the Subsidiaries are complete and accurate in all material respects and all corporate proceedings and actions reflected therein have been conducted or taken, in all material respects, in compliance with all applicable Laws and with the articles and by-laws of the Company or such Subsidiary and without limiting the generality of the foregoing: (i) the minute books contain complete and accurate constating documents, articles, by-laws any securityholders' agreements and any amendments thereto; (ii) the minute books contain complete and accurate minutes of all meetings of the directors and securityholders of the Company and the Subsidiaries, and all such meetings were duly called and held; (iii) the minute books contain all written resolutions passed by the directors and securityholders of the Company and the Subsidiaries and all such resolutions were duly passed; and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers of the Company and the Subsidiaries were duly elected or appointed, as the case may be.

(n) **Restrictive Documents.** Neither the Company nor any of the Subsidiaries is subject to, or a party to, any restriction under its constating documents, or to the knowledge of the Company, any Law, Claim, contract or instrument, Encumbrance or other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement or compliance by the Company or any of the Subsidiaries with the terms, conditions and provisions hereof or thereof or the continued operation by the Company or any of the Subsidiaries of its respective business consistent with past practice or which would restrict the ability of the Purchaser to acquire the Common Shares or the Warrants.

(o) **Public Disclosure Record.** The Public Disclosure Record constitutes all documents required to be filed by the Company under Securities Laws including, without limitation, all material change reports, press releases, financial statements, information circulars, annual information forms, prospectuses or other continuous disclosure documents filed or required to be filed by or on behalf of the Company. At the time it was filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), each of the documents comprising the Public Disclosure Record: (i) complied in all material respects with the applicable requirements of Securities Laws; and (ii) was true, correct and complete in all material respects and did not contain any material Misrepresentation. The Company has not filed any confidential material change reports which are, as of the date of this Agreement, maintained on a confidential basis.

(p) **Securities Laws.** The Company:

(i) is a reporting issuer under the Securities Laws of each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and is not on the list of defaulting reporting issuers maintained by the applicable securities regulatory authorities in any Province of Canada;

(ii) has filed all material forms, reports and documents required under Securities Laws with applicable securities regulatory authorities and each stock exchange on which the Company's securities are listed and posted for trading; and

(iii) is not materially in default of any provision of applicable Securities Laws.

(q) **Not in Default with Securities Regulators.** No securities commission or similar regulatory authority, or stock exchange in Canada has issued any order which is currently outstanding preventing or suspending trading of any securities of the Company, and no such proceeding is, to the knowledge of the Company, pending, contemplated or threatened.

(r) **Absence of Certain Changes.** Since March 31, 2009, except as disclosed in the Public Disclosure Record: (i) the Company has conducted its business only in the ordinary course of business; and (ii) the Company has not amended its constating documents.

(s) **No Material Adverse Change.** Since March 31, 2009, except as disclosed in the Public Disclosure Record, there has been no Material Change in the affairs, assets, liabilities, business, operations or conditions of the Company or any of its Subsidiaries or its business, financial or otherwise, whether arising as a result of any legislative or regulatory change, revocation of any material Permit or right to do business.

(t) **Compliance with Laws.** Each of the Company and the Subsidiaries is conducting its business in compliance with all applicable Laws in all material respects.

(u) **Permits.** (i) each of the Company and the Subsidiaries has obtained and is in compliance with all Permits required by applicable Laws necessary to conduct its current business as it is now being conducted; and (ii) neither the Company nor any of the Subsidiaries has received any notice of, nor to the knowledge of the Company is there any circumstance that will give rise to, the modification, revocation or cancellation of, or any intention to modify, revoke or cancel or any proceeding relating to the modification, revocation or cancellation of any material Permit.

(v) **Reserves Report.** To the knowledge of the Company, the Reserves Report and, if applicable, any updates to such report or any other reserve evaluation reports, whether in addition to or a replacement of the Reserves Report, was accurate in all material respects as at the date of such report and, except for any impact of changes in commodity prices, there has not been any material adverse change in the production, costs, prices, reserves, estimates of future net production revenues or other relevant information from that disclosed in the Reserves Report. The Company provided Sproule all material information concerning land descriptions, well data, facilities and infrastructure, ownership of operations, future development plans and historical technical and operating data respecting the principal oil and gas assets of the Company, in each case as at the date of the Reserves Report, and, in particular, all material information respecting the interests of the Company in its principal oil and gas assets and royalty burdens and net profits interest burdens thereon and such information was accurate and correct in all material respects as at the respective dates thereof and did not omit any information necessary to make any such information provided not misleading as at the respective dates thereof and there has been no material change in any of the information so provided since the date thereof. The Company has not requested Sproule to evaluate any of the reserves of the Company or any of the Subsidiaries subsequent to the date of the Reserves Report.

(w) **Production.** For the three month period ended December 31, 2009, the Company's average daily production, including any shares of production under its production sharing contracts, was approximately 576 barrels of oil equivalent per day and, for the twelve month period ended March 31, 2010 was approximately 556 barrels of oil equivalent per day.

(x) **Oil and Gas Operations.**

(i) The Company or the Subsidiaries have good and marketable title to, or the irrevocable right to produce and/or sell, their petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the "**Interests**") and represents and warrants that the Interests are free and clear of all liens, charges, encumbrances, restrictions or adverse claims;

(ii) Excepting production limits of general application in the oil and gas industry, none of the wells related to the Interests is subject to production or other penalties imposed by any agreement or by any Laws, orders or directions of governmental or other competent authorities.

(iii) There are no defects, failures or impairments in the title of the Company or the Subsidiaries 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 quantity and pretax net present values of future net revenues of the oil and gas reserves shown in the Reserves Report, the current production attributable to such properties or the current and anticipated cash flow of the Company.

(y) **Practices.** The Company (including its Subsidiaries) has and, in the case of properties operated by its partners under the Company's production sharing contracts or other joint exploration, development or production efforts, to the knowledge of the Company such partner has, conducted and is conducting its business in accordance with good oil and gas practices and has not received notice of any material violation of or investigation relating to any federal, provincial or local laws, regulation or ordinance with respect to its assets, business or operations and holds all Permits, licenses and other authorizations which are required under federal, state, provincial or local laws relating to its assets, business or operations; except where the failure to so hold such Permits, licenses or authorizations would not be material, and the assets operated and maintained by the Company and its Subsidiaries, are in compliance with all terms and conditions of such laws, permits, licenses and authorizations in all material respects.

(z) **Partnerships or Joint Ventures.** Except as disclosed in the Disclosure Letter (the agreements for which have been previously disclosed in writing to the Purchaser) the Company or its Subsidiaries are not a partner or participant in any partnership, joint venture, profit-sharing arrangement or other association of any kind and are not party to any agreement under which the Company or its Subsidiaries agrees to carry on any part of the business of the Company or any other activity in such manner or by which the Company or its Subsidiaries agrees to share any revenue or profit with any other Person.

(aa) **Breach of Constating Documents or Contracts.** Neither the Company nor any of the Subsidiaries is in breach or violation of, or default under, its constating documents or any contract, agreement or other instrument to which it is a party or by which it is bound.

(bb) **Financial Statements.** The Financial Statements and related management discussion and analysis have been prepared in accordance with GAAP applied on a basis consistent with prior periods and present fairly and accurately the financial condition and position and results of operations and cash flows of the Company on a consolidated basis for the periods covered thereby.

(cc) **Insolvency.** Neither the Company nor any Subsidiary has committed an act of bankruptcy or sought protection from its creditors before any court or pursuant to any legislation, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of its assets, had any Person holding any Encumbrance take possession of any material portion of its property, had an execution or distress become levied upon any material portion of its property or had any petition for a receiving order in bankruptcy filed against it.

(dd) **Litigation.** There is no action, suit or proceeding, at law or in equity of a material nature, by any Person, nor any arbitration, administrative or other proceeding by or before (or to the knowledge of the Company any investigation by) any Governmental Authority pending, or, to the knowledge of the Company, threatened against or affecting the Company, any of the Subsidiaries or any of their properties or rights or any of the Assets; and none of the Company or the Subsidiaries is subject to any judgment, order or decree.

(ee) **Corrupt Practices Legislation.** There have been no actions taken by or on behalf of the Company or its Subsidiaries that would cause the Company or its Subsidiaries to be in violation of the *Corruption of Foreign Public Officials Act* (Canada) or any similar or related applicable Laws, including, without limitation, those of India.

(ff) **Changes in Financial Position.** Other than as set forth in the Public Disclosure Record on or before March 16, 2010, since March 31, 2009 neither the Company nor any Subsidiary has, (and other than in connection with the transactions contemplated by this Agreement):

(i) given any guarantee of any debt, liability or obligation of any Person;

(ii) subjected any of its assets, or permitted any of its assets to be subjected, to any Encumbrance;

(iii) acquired, sold, leased or otherwise disposed of or transferred any material assets other than in the ordinary course of its business;

(iv) made or committed to any capital expenditures, except in the ordinary course of its business;

(v) declared or paid any dividend or otherwise made any distribution or other payment of any kind or nature whatsoever to any of its Common Shares or any other Person, or taken any corporate proceedings for that purpose, other than dividends or distributions to the holders of Common Shares, in a manner and in amounts consistent with past practice;

(vi) incurred any obligation or liability, direct or indirect, contingent or otherwise, except in the ordinary course of business;

(vii) redeemed, purchased or otherwise retired any of the Common Shares;

(viii) reduced its stated capital;

(ix) waived or released any material right or rights which it has or had, or a debt or debts owed to it in excess of $100,000;

(x) made any material change in compensation arrangements or agreements with employees, officers or directors of the Company or any of its Subsidiaries;

(xi) other than any changes required by a change to GAAP, made any material change in any method of accounting or auditing practice; or

(xii) agreed or offered to do any of the things described in this section.

(gg) **Insurance.** The assets of the Company and the Subsidiaries and each of their respective operations and business are insured against loss or damage with recognized insurers or are self-insured, in each case in such amounts and with respect to such risks and losses as are customary for companies conducting the business conducted by the Company and the Subsidiaries. All material insurance policies are in full force and effect and the Company and the Subsidiaries have not failed to promptly give any notice or present any material claim thereunder.

(hh) **Owner of Property.** Each of the Company and the Subsidiaries is the absolute legal and beneficial owner of, and has good marketable title to, all of the material property or assets described in the Public Disclosure Record as being owned by it, free of all Encumbrances, Claims or demands whatsoever, and no other material property rights are necessary for the Company or any of the Subsidiaries to conduct its business as currently conducted in all material respects or contemplated to be conducted. There is no Claim, or to the knowledge of the Company, basis for a Claim that would adversely affect the Company's or the Subsidiary's rights to use, transfer or otherwise exploit such property rights.

(ii) **Real Property.** (i) the Company or a Subsidiary, as the case may be, holds (A) beneficial and legal title to all real property owned by them and (B) all registered encumbrances, permits and licenses necessary to permit the Company and each Subsidiary to carry out the operation of their respective current businesses; (ii) there are no pending or, to the knowledge of the Company, threatened condemnation or expropriation proceedings with respect to any real property owned or leased or otherwise held by the Company or a Subsidiary; (iii) there are no outstanding options or rights of first refusal to purchase any real property (or any portion thereof or interest therein) owned or leased or otherwise held by the Company or a Subsidiary; and (iv) to the knowledge of the Company, all of the buildings, fixtures, systems and utilities on the real property owned or leased or otherwise held by the Company or Subsidiary (A) were constructed and are maintained in accordance with applicable Laws and (B) subject to reasonable wear and tear, are in good operating condition and are in a good state of maintenance and repair.

(jj) **Employment Matters.**

(i) Each of the Company and the Subsidiaries is in material compliance with all Laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages and has not and is not engaged in any unfair labour practice.

(ii) There is no labour strike pending or threatened against the Company or any Subsidiary.

(iii) No collective bargaining agreement is in place or currently being negotiated by the Company or the Subsidiaries.

(iv) There are no material outstanding orders under any employment of human rights legislation in any jurisdiction in which the Company or the Subsidiaries carries on business or has employees.

(kk) **Severance.** Except pursuant to employment agreements with senior management, which are specifically identified in the Disclosure Letter (copies of which have been provided or made available to the Purchaser and which agreements have not since been amended, modified, restated or replaced), neither the Company nor any Subsidiary has entered into an agreement with an employee pursuant to which such employee is entitled to receive more than six months notice of termination or equivalent compensation.

(ll) **Employee Plans.** Each plan for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, pension, incentive or otherwise contributed to, or required to be contributed to, by the Company or the Subsidiaries for the benefit of any current or former officer, director, employee or consultant of the Company or the Subsidiaries has been maintained in material compliance with applicable Laws and the terms thereof.

(mm) **Environmental Compliance.**

(i) Each of the Company and the Subsidiaries has operated its respective business in material compliance with applicable Environmental Laws.

(ii) Neither the Company nor any Subsidiary has received notice of any Claim nor, to the knowledge of the Company, is any material Claim pending or threatened against, or which may affect the Company or the Subsidiaries or any of the property, Assets or operations thereof, relating to or alleging any violation of applicable Environmental Laws and, to the knowledge of the Company, there is no basis for any such Claim.

(iii) Neither the Company or the Subsidiaries nor any of the property, Assets or operations thereof is, to the knowledge of the Company, the subject of (nor has the Company or any Subsidiary notified any Governmental Authority which would lead to) any investigation, evaluation, audit or review by any Governmental Authority to determine whether any violation of any Environmental Laws has occurred or is occurring or whether any remedial action is needed in connection with a Release of any Hazardous Substance into the environment, except for investigations, evaluations, audits or reviews conducted in the normal course by any Governmental Authority.

(iv) The Company and the Subsidiaries are not subject to any material contingent or other liability relating to the restoration or rehabilitation of land, water or any other part of the environment or to non-compliance with Environmental Law.

(nn) **Intellectual Property.** The Company and the Subsidiaries own or possess adequate enforceable rights to use all patents, trademarks, copyrights trade secrets, software, technology and other intellectual property rights used or proposed to be used by the Company and the Subsidiaries in the conduct of their respective businesses.

(oo) **Liabilities and Guarantees.** Neither the Company nor the Subsidiaries have any outstanding liabilities, contingent or otherwise, and neither the Company nor the

Subsidiaries are party to or bound by any agreement of guarantee, support, indemnification, assumption, or endorsement of, or any other similar commitment with respect to the obligations, liabilities (contingent or otherwise) or indebtedness of any Person, other than: (i) liabilities disclosed in the Financial Statements; (ii) liabilities incurred in the ordinary course since March 31, 2009; and (iii) liabilities incurred in connection with this Agreement and the transactions contemplated hereby.

(pp) **Taxes.** The Company and each of the Subsidiaries, including the Representative Office of the Company, has duly and timely filed all material Returns required to be filed by it prior to the date hereof, other than those which have been administratively waived, and all such Returns are or will be upon filing, true, complete and correct in all material respects. The Company and each of the Subsidiaries has paid or has collected, withheld and remitted to the appropriate Governmental Authority all material Governmental Charges which are due and payable, other than those which are being or have been contested in good faith and, where payment is not yet due, adequate reserves or accrual in accordance with GAAP have been provided in the Financial Statements. Except as provided in the Financial Statements, no audit, action, investigation, deficiencies, litigation, proposed adjustments or other matters in controversy exist or have been asserted or threatened with respect to Governmental Charges of the Company or any of the Subsidiaries, and neither the Company nor any of the Subsidiaries is a party to any action or proceeding for assessment or collection of Governmental Charges and no such event has been asserted or, to the knowledge of the Company, threatened against the Company or any of the Subsidiaries or any of their respective assets.

(qq) **Non-Arms Length Transactions.** No director or officer, former director or officer, Shareholder or employee of the Company or any Subsidiary nor any other Person not dealing at arm's length (as such term is defined in the Tax Act with the Company or any Subsidiary (a "**non-arm's length person**") is a party to, or is otherwise bound by any, contract between such Person and the Company or any Subsidiary other than employee, consulting or indemnification agreements made in the ordinary course of business, consistent with past practice, nor is the Company or any Subsidiary indebted to, or has borrowed any amount from, any such non-arm's length person.

(rr) **Prospectus.** At the time of its filing and as at the Rights Offering Closing Date: (i) the Prospectus (together with all documents incorporated by reference therein) will comply with the requirements of any applicable Securities Laws; (ii) the information and statements contained in the Prospectus will be true and correct in all material respects; (iii) the Prospectus will contain no Misrepresentation; and (iv) the Prospectus will constitute full, true and plain disclosure of all material facts (as such term is construed under the Securities Laws) and did not and will not omit any material facts relating to the Company and its Subsidiaries taken as a whole and as concerns the Rights Offering and the transactions contemplated herein and did not or will not contain any Misrepresentation; provided that the foregoing will not apply to any information or statements contained in the

Prospectus relating to the Purchaser that the Purchaser has specifically approved for inclusion in such Prospectus.

(ss) **Full Disclosure.** Neither this Agreement nor any certificate, report, statement or other document furnished by the Company in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. Other than general macroeconomic changes in economic conditions generally or in the supply, demand and process for oil and gas products, there has been no event, transaction or information that has come to the attention of the Company that has not been disclosed to the Purchaser in writing that could reasonably be expected to adversely affect in any material respect the assets, business, earnings, prospects, properties or condition (financial or otherwise) of the Company or its Subsidiaries.

3.2 Covenants of the Company

The Company covenants to and agrees with the Purchaser as follows:

(a) **Use of Proceeds.** The Company covenants and agrees with the Purchaser to use the first $1,500,000 of the proceeds of the Equity Financing on the expenditures identified in the Disclosure Letter related to the Amguri condensate recovery and gas re-injection project. The balance of the proceeds from the Equity Financing will be used for working capital and in conjunction with the exploration and development of its oil and gas projects, such projects including but not limited to: (i) the Amguri condensate recovery and gas re-injection project identified in the Disclosure Letter, appraisal and development drilling; (ii) meeting its capital contribution requirements under its production sharing contracts; (iii) the Amguri LPG plant identified in the Disclosure Letter; (iv) the Amguri gas-fired power plant; and (v) developing new infrastructure projects and lines of business.

(b) **Completion of Financing.** The Company covenants to and agrees with the Purchaser to perform all obligations required to be performed by the Company under this Agreement, and to use all commercially reasonable efforts to do such acts and things as may be necessary in order to complete the Equity Financing and the Debt Financing as soon as reasonably practicable following the satisfaction of the conditions thereto and, in any event, by no later than the Private Placement Outside Date (in the case of the Private Placement) and the Rights Offering Outside Date (in the case of the Rights Offering), including taking or causing to be taken all commercially reasonable steps necessary to satisfy the conditions set forth in Sections 5.1 and 5.2.

(c) **Rights Offering.** The Company covenants and agrees to offer the Rights Offering Shares to Shareholders pursuant to the Rights Offering and to conduct the Rights Offering in accordance with all applicable Securities Laws and the terms of this Agreement. The Purchaser will be entitled to participate in the preparation of the Prospectus and such other Rights Offering documents, and each amendment thereof or supplement thereto, and the Company will promptly provide drafts of such documents to the Purchaser for its review, and will provide the Purchaser with a reasonable time to review and provide comments on such documents. The Company will provide a draft of the Preliminary Prospectus to the Purchaser within two Business Days of the date of this Agreement and will use all commercially reasonable efforts to file the Preliminary Prospectus within five Business Days of the date of this Agreement and will not amend the terms of the Rights Offering set forth in this Agreement and as described in the draft Preliminary Prospectus provided to the Purchaser without the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed).

(d) **Board Independence.** From and after the Private Placement Closing Date and for so long as the Purchaser continues to hold at least 10% of the outstanding Common Shares, the Company will ensure that a majority of its board of directors are independent of management of the Company. For the purposes hereof, a board member shall be independent of management of the Company if he or she satisfies the independence requirements under section 1.4 of National Instrument 52-110.

(e) **Board Representation.** On the Private Placement Closing Date, the Company will appoint two nominees of the Purchaser to its board of directors and such board of directors shall be comprised of no more than five persons and thereafter, and for so long as the Purchaser, together with its Affiliates, continues to hold at least 10% of the outstanding Common Shares (after giving effect to the conversion of all Warrants or other convertible securities held by the Purchaser or its Affiliates), the Company will, upon the written request of the Purchaser, appoint, or if at such time the board of directors of the Company is not permitted to appoint such additional directors under applicable Laws, nominate for election at the next regularly scheduled annual meeting or special meeting of its Shareholders and each such meeting thereafter, such number of nominees proposed by the Purchaser, as is at least proportionate to the Purchaser's Interest. Except as set forth in this Section 3.2(e), the Company will not appoint any additional persons to its board of directors from the Private Placement Closing Date until the next regularly scheduled annual meeting of its Shareholders held after the Rights Offering Outside Date, provided that if the Purchaser does not complete the purchase of the Rights Offering Commitment Shares, as contemplated under Section 2.1(a)(iii) hereof, by the Rights Offering Commitment Outside Date (other than by reason of any action or inaction or breach of this Agreement by the Company), then the Company will be free to appoint additional directors, so long as the number of appointees of the Purchaser on the Company's board of directors remains at least proportionate to the Purchaser's Interest. So long as any nominee of the Purchaser is a director of the Company, the Company will hold a meeting of its board of directors not less frequently than once in each fiscal quarter. As at the Private Placement Closing Date, the board of directors of the Company will amend the Company's by-laws effective as of the Private Placement Closing Date in order to remove any residency restrictions or requirements contained therein with respect to the composition of the board of directors. The Company will present such amended by-laws for the confirmation of its Shareholders at its next shareholder meeting. Current directors of the Company resigning on the Private Placement Closing Date, the Rights Offering Closing Date or otherwise as a result of this Section 3.2(e) may be retained by the Company as non-paid consultants for not less than two years from the date of such resignation.

(f) **Secondary Listing.** After the Private Placement Closing, the Company will use all commercially reasonable efforts to, in an expeditious manner, obtain a secondary listing for the Common Shares on the NYSE Euronext or the Alternative Investment Market of the London Stock Exchange or such other European stock exchange mutually agreed upon by the Parties, each acting reasonably.

(g) **Name Change**. After the Private Placement Closing, the Company will use its best efforts to change its name, in an expeditious manner, to such name approved by the Purchaser, including holding a meeting of the Shareholders to consider and approve a special resolution in relation thereto at the next regularly scheduled annual meeting of special meeting of it Shareholders, provided that if a meeting of Shareholders is required in connection with the transactions contemplated hereunder, the Company will propose such special resolution at such meeting.

(h) **Standstill on Issuance by the Company of Equity Securities.** The Company will not, without the prior written consent of the Purchaser, such consent not to be unreasonably withheld, during the period ending 180 days after the Rights Offering Closing Date, issue or agree to issue (or announce any intention to do so) any Equity Securities, other than pursuant to: (i) the Stock Option Plan; or (ii) the Rights Offering; or (iii) as set forth in the Disclosure Letter.

(i) **Pre-Emptive Rights.** Following the Private Placement Closing Date and for so long as the Purchaser, together with its Affiliates, continues to hold at least 10% of the outstanding Common Shares of the Company (after giving effect to the conversion of all Warrants or other convertible securities held by the Purchaser or its Affiliates), if the Company proposes to issue (the "**Issuance**") any Common Shares or securities convertible into Common Shares or other Equity Securities (the "**Offered Securities**"), whether pursuant to a public offering, a private placement or otherwise, other than the Rights Offering (an "**Offering**"), the Company will, at least: (i) three Business Days; or (ii) if the Issuance is by way of a "bought deal", one Business Days, prior to the first date of public announcement (the "**Announcement Date**") of the Issuance, give written notice of the Issuance to the Purchaser including, to the extent known by the Company, the full particulars of the Issuance. As soon as practicable, and in any event at least three Business Days, before the Announcement Date, the Company will make an irrevocable offer (the "**Offer**") to the Purchaser to subscribe for, at the same subscription price as under the Offering, up to that number of Offered Securities as will enable the Purchaser, upon completion of the Issuance, to maintain its then current proportionate interest in the Company at the same percentage as that which existed immediately prior to completion of the Issuance. The Offer will contain full particulars of the Issuance, including:

(i) the subscription price or range of subscription prices;

(ii) the terms and conditions of the Offered Securities;

(iii) the number of Offered Securities to be issued or proposed to be issued to Persons other than the Purchaser;

(iv) the maximum number of Offered Securities that the Purchaser is entitled to subscribe for (the "**Purchaser's Entitlement**");

(v) a statement as to the use of proceeds; and

(vi) the proposed Announcement Date and the proposed completion date for the Issuance.

The Offer will provide that if the Purchaser intends to subscribe for any or all of the Purchaser's Entitlement, the Purchaser may accept the Offer, such acceptance to be irrevocable by giving notice of such intention to the Company not later than the Business Day immediately prior to the proposed Announcement Date set out in the Offer, which notice will specify:

(i) whether the determination of the Purchaser's Entitlement by the Company is correct and, if not, the correct Purchaser's Entitlement; and

(ii) the number of Offered Securities to be purchaser by the Purchaser.

(j) **Right of First Refusal.** During the term of the Debt Agreement , if the Company or any Affiliate thereof (the "**Financing Party**") proposes to obtain any debt financing by incurring any indebtedness from time to time (including through the issuance of Preferred Shares or similar securities) for borrowed money other than under the Debt Financing or unsecured indebtedness with a term of less than six months (the "**Proposed Financing**"), the Financing Party must, prior to accepting any offer from a third-party to provide such Proposed Financing or prior to entering into any agreements respecting such financing, provide the Purchaser with written notice (the "**Proposed Financing Notice**") of the terms and conditions of such offer or agreement (the "**Proposed Financing**"). The Proposed Financing Notice shall include an irrevocable offer from the Financing Party to the Purchaser or its nominees, pursuant to which the Financing Party shall offer to issue securities or to borrow funds, as the case may be, from the Purchaser or its nominees on substantially the same terms as the Proposed Financing (the "**Proposed Financing Offer**"). Upon receipt of a Proposed Financing Notice, the Purchaser or its nominees shall have 10 days to accept the Proposed Financing Offer (the "**Proposed Financing Acceptance Period**"). If the Purchaser waives its right hereunder in writing or does not accept the Proposed Financing Offer by the end of the Proposed Financing Acceptance Period, then, and only then, the Financing Party shall be free to enter into an agreement to obtain the Proposed Financing on the terms set out in the Proposed Financing Notice, such funding to complete within 75 days of the earlier of: (i) receipt of the written waiver of the Purchaser of its rights hereunder; or (ii) the expiry of the Proposed Financing Acceptance Period (the " **Completion Period**"). This right of first refusal shall extend to each Proposed Financing that a Financing Party considers. In the event that the Purchaser declines to accept a Proposed Financing Offer and such Proposed Financing does not complete within the Completion Period, if the Financing Party wishes to proceed with the Proposed Financing, the Financing Party must recommence the right of first refusal procedure set out herein and issue and deliver a new Proposed Financing Notice to the Purchaser in respect thereof. Notwithstanding the foregoing, nothing in this Section 3.2(j) shall prevent the Company from incurring indebtedness secured by Permitted Liens, as such term is defined under the Debt Agreement.

(k) **Corporate Existence.** The Company will preserve and maintain its, and that of its Subsidiaries, corporate existence and all qualifications to carry on its business.

(l) **Compliance with applicable Laws.** The Company will comply with all applicable Laws.

(m) **Taxes.** The Company will pay and discharge when due all taxes except those being contested in good faith and for which the Company has maintained adequate reserves.

(n) **Books and Records.** The Company will keep proper books of record and account in accordance with generally accepted accounting principles.

(o) **Notification.** The Company will promptly notify the Purchaser in writing of any circumstance or development that, to the knowledge of the Company, has or would reasonably be expected to result in a Material Change or any change in a material fact set forth in the Disclosure Letter.

(p) **Reserves Report.** The Company will provide the purchaser with an updated reserves report prepared by Sproule, in accordance with the requirements set out in National Instrument 51-101 and the forms of such reports set out therein, with an effective date of no earlier than March 31, 2010, as soon as such report has been completed and, in any event, by no later than 60 days after the date hereof.

(q) **Shareholder Approval.** The Company covenants and agrees:

(i) to duly convene and conduct the Meeting as soon as reasonably practicable, and in any event on or before June 11, 2010, in accordance with the Company's constating documents and applicable Laws and not to propose to adjourn or postpone or cancel or fail to hold the Meeting without the prior written consent of the Purchaser except as required by applicable Law (in which case the Meeting shall be adjourned and not cancelled);

(ii) to use all reasonable best efforts to diligently, promptly and in good faith seek and obtain Shareholder Approval at the Meeting, including, without limitation recommending that Shareholders vote in favour of the Shareholder Approval and soliciting shareholders and votes (including by proxy) in favour of Shareholder Approval;

(iii) to consult with the Purchaser in fixing the date of the Meeting and allow the Purchaser's representatives and legal counsel to attend the Meeting;

(iv) to, promptly, and in any event within ten (10) Business Days of this Agreement, prepare and complete a proxy circular (the "**Circular**") together with any other documents required under applicable Laws and the rules and policies of the TSX-V in connection with the Meeting and the Company shall, as promptly as reasonably practicable, and in any event no later than May 7, 2010, after obtaining the approval of the Purchaser cause the Circular and other documentation required in connection with the Meeting to be filed with the applicable securities authorities and as otherwise required to be sent to each Shareholder, in each case so as to permit the Meeting to be held within the time required by Section 3.2(q)(i) hereof;

(v) that the Circular shall comply in all material respects with all applicable Laws and shall include the unanimous recommendation of the Company's board of directors that the Shareholders vote in favour of the resolution respecting Shareholder Approval;

(vi) that neither the Company, its officers or its directors will take any action or make or publish any statements (orally or in writing) inconsistent with or in any way contrary to the Company's obligations pursuant to this Section; and

(vii) to provide the Purchaser and its legal counsel with reasonable opportunity to review and comment on drafts of the Circular and other documents related thereto, and give reasonable consideration to any comments made by the Purchaser and its counsel.

3.3 Survival of Covenants, Representations and Warranties

The covenants, representations and warranties of the Company contained in this Agreement and in all certificates delivered pursuant to or contemplated by this Agreement will survive indefinitely.

3.4 Indemnity

The Company agrees to indemnify, release, defend and hold harmless the Purchaser and its respective Affiliates, nominees, successors or agents and the respective directors, officers, agents and employees of each of the foregoing (the "**Indemnified Parties**") from and against all losses, claims, damages, liabilities, penalties, fines, judgments, suits, awards, sanctions, fees, whatsoever or other costs or expenses to which an Indemnified Party may become subject, other than those relating to such Indemnified Party's fraud, wilful misconduct or gross negligence or if such Indemnified Party is in breach of, default under or in non-compliance with any material representation, warranty, term, condition or covenant of this Agreement or any Ancillary Agreement, which arise out of or relate to or result from, directly or indirectly:

(a) any Misrepresentation or alleged Misrepresentation in the Prospectus or any prospectus contemplated under Article 6 hereof;

(b) the non-compliance or alleged non-compliance by the Company with any requirement of the Securities Laws or any other applicable Laws in connection with the Rights Offering or the other transactions contemplated in this Agreement; or

(c) any breach or default of or under any representation, warranty, covenant or agreement of the Company or any of its Subsidiaries contained herein.

In addition to the foregoing, the Company agrees to reimburse each Indemnified Party for all reasonable legal or other expense incurred in connection with investigating, defending or participating in any action or other proceeding relating to any such losses or liabilities (whether or not such Indemnified Party is a party to such action or proceeding).

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

4.1 Representations and Warranties of the Purchaser

The Purchaser represents and warrants (and, where applicable, covenants) as follows to the Company with respect to itself and acknowledges and confirms that the Company is relying on such representations and warranties (and, where applicable, covenants) in connection with the sale by the Company of the Common Shares to the Purchaser.

(a) **Due Incorporation and Existence.** It is a corporation incorporated and existing under the laws of the jurisdiction of its incorporation.

(b) **Capacity.** The Purchaser has all requisite power to perform its obligations under this Agreement and the Ancillary Agreements. The execution, delivery and performance by the Purchaser of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated thereby:

(i) have been duly authorized by all necessary corporate action on the part of the Purchaser; and

(ii) do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a violation or a breach of, or a default under or give rise to a right of termination, greater rights or increased costs, amendment or cancellation or the acceleration of any obligation under: (A) the constating documents of the Purchaser; (B) any material contracts or material instruments to which the Purchaser is a party or by which the Purchaser is bound; or (C) any Laws applicable to it.

(c) **Validity and Binding Effect.** This Agreement and the Ancillary Agreements to which it is a party have been duly executed and delivered by the Purchaser and constitute legal, valid and binding obligations of the Purchaser enforceable against it in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other Laws relating to or affecting the availability of equitable remedies and the enforcement of creditors' rights generally and general principles of equity and public policy and to the qualification that equitable remedies such as specific performance and injunction may be granted only in the discretion of a court of competent jurisdiction and that rights to indemnity and contribution may be limited by applicable Laws and to the fact that the *Currency Act* (Canada) precludes a court in Canada from giving judgment in any currency other than Canadian currency.

(d) **No Transfer or Resale of Private Placement Shares.** The Purchaser acknowledges and agrees that as of the Private Placement Closing and thereafter, the Private Placement Shares will be subject to resale and transfer restrictions under applicable Securities Laws.

(e) **Investment Intent.** The Purchaser is acquiring the Common Shares and Warrants to be held for investment only and not with a view to immediate resale or distribution of any part thereof and will not resell or otherwise transfer or dispose of the Common Shares or Warrants or any part thereof except in accordance with the provisions of applicable Securities Laws.

(f) **Prospectus Exemptions.** The Purchaser acknowledges and agrees that the sale and delivery of the Private Placement Shares is conditional upon such sale being exempt from the requirements under applicable Securities Laws requiring registration and the filing of a prospectus or delivery of an offering memorandum in connection with the distribution of the Private Placement. The Purchaser acknowledges and agrees that no Governmental Authority has reviewed or passed upon the merits of the investments in the Private Placement Shares.

(g) **Accredited Investor.** The Purchaser is an "accredited investor" (as that term is defined in NI 45-106).

(h) **Not U.S. Person.** It is not a U.S. Person (as defined in Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not purchasing any securities referred to hereunder on behalf of, or for the account or benefit of, a person in the United States or a U.S. Person.

(i) **Reliance**. In connection with its purchase of Common Shares under the Private Placement it has relied solely upon the representations of the Company set out herein and in the Disclosure Letter and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Company.

(j) **Filings**. If required by applicable Laws or by any securities commission, stock exchange or other regulatory authority, the Purchaser will use commercially reasonable efforts to execute, deliver, file and otherwise assist the Company in filing, such reports, undertakings and other documents with respect to the issue of securities to the Purchaser as are so required.

(k) **Absence of Offering Memorandum.** The Purchaser has not been provided with, and has not requested an offering memorandum as defined in applicable Securities Laws. The offer and sale to the Purchaser of the Private Placement Shares was not made through or as a result of, and the distribution of the Private Placement Shares is not being accompanied by, any advertisement in printed public media, of general and regular paid circulation, radio or television or telecommunications, including electronic display or any other form of advertisement.

ARTICLE 5
CLOSING

5.1 Mutual Conditions Precedent

(a) **Private Placement.** The respective obligations of the Parties to complete the Private Placement are subject to the satisfaction, or mutual waiver by the Purchaser and the Company, as of the Private Placement Closing but on or before the Private Placement Outside Date, of each of the following conditions:

(i) the Company will have received conditional approval of the Equity Financing from the TSX-V, subject only to the satisfaction by the Company of customary post-closing conditions imposed by the TSX-V in similar circumstances, and without the requirement of the Company to obtain Shareholder approval of the Equity Financing;

(ii) other than receiving a receipt for the Preliminary Prospectus and Final Prospectus, all waivers, consents, permits, approvals, releases, licences or authorizations which are necessary in connection with, or required to permit, the completion of the Equity Financing will have been obtained or received on terms which are satisfactory to each of the Company and the Purchaser acting reasonably; and

(iii) this Agreement will not have been terminated in accordance with its terms.

(b) **Rights Offering.** The respective obligations of the Parties to complete the Rights Offering are subject to the satisfaction, or mutual waiver by the Purchaser and the Company, effective as of the Rights Offering Closing but on or before the Rights Offering Outside Date, of each the following conditions:

(i) the Private Placement shall have been completed;

(ii) the Company will have received conditional approval of the Rights Offering from the TSX-V, subject only to the satisfaction by the Company of customary post-closing conditions imposed by the TSX-V in similar circumstances;

(iii) the Company shall have filed a Final Prospectus with each of the securities regulatory authorities in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario and obtained a receipt therefor, reflecting the terms set out in the draft Preliminary Prospectus provided to the Purchaser prior to the date of this Agreement (except for any changes to such terms as may have been approved by the Purchaser in accordance with Section 3.2(c));

(iv) the Rights issued under the Prospectus shall have expired; and

(v) this Agreement will not have been terminated in accordance with its terms.

The foregoing conditions are for the mutual benefit of the Company and the Purchaser and may be waived in whole or in part only if jointly waived in writing by the Company and the Purchaser.

5.2 Additional Conditions Precedent to the Obligations of the Purchaser

(a) **Private Placement.** The obligation of the Purchaser to complete the Private Placement is subject to the satisfaction, or waiver by the Purchaser, as of the Private Placement Closing but on or before the Private Placement Outside Date, of each of the following conditions:

(i) the Company having complied in all material respects with its obligations, covenants and agreements in this Agreement to be performed and complied with on or before the Private Placement Closing Date;

(ii) the representations and warranties of the Company in this Agreement will be true and correct in all material respects as of the Private Placement Closing Date as if made as of such date (except for such representations and warranties which are: (i) qualified by materiality, which shall be true and correct in all respects; or (ii) refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct in all respects or all material respects, as applicable, as of that date);

(iii) there will have been no Material Adverse Effect since the date of this Agreement;

(iv) the Company will have delivered a certificate of the Company signed by a senior officer of the Company and dated the Private Placement Closing Date certifying that the conditions set out in Sections 5.2(a)(i), 5.2(a)(ii) and 5.2(a)(iii) have been satisfied;

(v) legal counsel to the Company and the material Subsidiaries will have executed and delivered a legal opinion to the Purchaser, in form and substance acceptable to the Purchaser and its counsel acting reasonably;

(vi) the Company and the Purchaser (or an Affiliate of the Purchaser) shall have entered into a Debt Agreement relating to the Senior Convertible Facility; and

(vii) the Company will have delivered to the Purchaser such other closing documents as the Purchaser may reasonably require.

The foregoing conditions are for the benefit of the Purchaser and may be waived in whole or in part only if waived in writing by the Purchaser.

(b) **Rights Offering.** The obligation of the Purchaser to purchase the Rights Offering Commitment Shares is subject to the satisfaction, or waiver by the Purchaser, as of the Rights Offering Closing but on or before the Rights Offering Outside Date, of each of the following conditions:

(i) the Company will have complied in all material respects with its obligations, covenants and agreements in this Agreement to be performed and complied with on or before the Rights Offering Closing Date;

(ii) the representations and warranties of the Company in this Agreement will be true and correct in all material respects as of the Rights Offering Closing Date as if made as of such date (except for such representations and warranties which are: (i) qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects; or (ii) refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct in all respects or all material respects, as applicable, as of that date);

(iii) there will have been no Material Adverse Effect since the date of this Agreement;

(iv) the Company will have delivered to the Purchaser a certificate of the Company signed by a senior officer of the Company and dated the Rights Offering Closing Date certifying that the conditions set out in Sections 5.2(a)(i), 5.2(a)(ii) and 5.2(a)(iii) have been satisfied;

(v) legal counsel to the Company and the material Subsidiaries will have executed and delivered a legal opinion to the Purchaser, in form and substance acceptable to the Purchaser and its counsel acting reasonably

(vi) each of the Ancillary Agreements will have been executed and delivered by each Party thereto and will be in full force and effect; and

(vii) the Company will have delivered to the Purchaser such other closing documents as the Purchaser may reasonably require.

The foregoing conditions are for the benefit of the Purchaser and may be waived in whole or in part only if waived in writing by the Purchaser.

5.3 Additional Conditions Precedent to the Obligations of the Company

(a) **Private Placement.** The obligation of the Company to complete the Private Placement is subject to the satisfaction, or waiver by the Company, as of the Private Placement Closing but on or before the Private Placement Outside Date, of each of the following conditions:

(i) the Purchaser will have complied in all material respects with its obligations, covenants and agreements in this Agreement to be performed and complied with on or before the Private Placement Closing Date; and

(ii) the representations and warranties of the Purchaser will be true and correct in all material respects as of the Private Placement Closing Date as if made as of such date (except for such representations and warranties which refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct in all material respects as of that date and except as affected by transactions, changes, conditions, events or circumstances contemplated by this Agreement).

The foregoing conditions are for the benefit of the Company and may be waived in whole or in part only if waived in writing by the Company.

5.4 Termination

This Agreement may be terminated, by notice given prior to or at the completion of the transactions contemplated by this Agreement:

(a) by written agreement of the Parties;

(b) by the Purchaser if (i) any condition in Section 5.1(a) or 5.2(a) has not been satisfied as of the Private Placement Outside Date or if satisfaction of such condition is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and the Purchaser has not waived such condition on or before the Private Placement Outside Date; or (ii) any condition in Section 5.1(b) or 5.2(b) has not been satisfied as of the Rights Offering Outside Date or if satisfaction of such condition is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and the Purchaser has not waived such condition on or before the Rights Offering Outside Date;

(c) by the Company if (i) any condition in Section 5.1(a) or 5.3(a) has not been satisfied as of the Private Placement Outside Date or if satisfaction of such condition is or becomes impossible (other than through the failure of the Company to comply with its obligations under this Agreement) and the Company has not waived such condition on or before the Private Placement Outside Date;

or (ii) any condition in Section 5.1(b) has not been satisfied as of the Rights Offering Outside Date or if satisfaction of such condition is or becomes impossible (other than through the failure of the Company to comply with its obligations under this Agreement) and the Company has not waived such condition on or before the Rights Offering Outside Date; or

(d) by the Purchaser, if prior to the Private Placement Closing Date or the Rights Offering Closing Date, as the case may be, in its sole judgement: (i) trading in the Common Shares shall have been suspended or made subject to material limitations on the TSX-V; (ii) trading in securities generally on the New York Stock Exchange, NASDAQ, Toronto Stock Exchange or TSX-V shall have been suspended or materially limited, or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by any such exchange or by securities regulators or any court or other governmental authority; (iii) a general moratorium on commercial banking activities shall have been declared by a state, provincial or federal authority in the United States, India or Canada; (iv) there shall have occurred any outbreak or escalation of hostilities or declaration of war, national emergency, act of terrorism or other national or international calamity or crisis or change in economic financial or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States, India or Canada or on the business of the Company and its Subsidiaries taken as a whole, make it impracticable or inadvisable to proceed with the transactions contemplated in this Agreement; or (v) in relation to the Company and the Subsidiaries (taken as a whole) or the Common Shares, any inquiry, investigation or other proceeding is commenced, threatened or announced or any order or ruling is issued by any officer of such exchange or market, or by securities regulators or any other regulatory authority in Canada or the United States, or if any law or regulation under or pursuant to any statute of Canada or of any province thereof or of the United States or India or any state or territory thereof is promulgated or changed which, in the opinion of the Purchaser, have a Material Adverse Effect.

5.5 Break Fee

In the event that the Private Placement or the Rights Offering fail to complete by the Private Placement Outside Date or the Rights Offering Outside Date, respectively, other than if such transaction fails to complete directly as a result of an action or inaction of or a material breach of this Agreement by the Purchaser, or if Shareholder Approval is not obtained by the Company, the Company shall pay to the Purchaser, within two Business Days, the sum of $185,000 United States dollars plus an additional expense reimbursement of up to $50,000 United States dollars in either cash or in Common Shares issued at the minimum price allowable under the rules of the TSX-V.

ARTICLE 6
REGISTRATION RIGHTS

6.1 Demand Registration.

From and after the Private Placement Closing date and for so long as the Purchaser continues to hold at least 20% of the issued and outstanding Common Shares of the Company (after giving effect to the conversion of all Warrants or other convertible securities held by the Purchaser), the Purchaser shall have the right to request in writing (which demand will specify the number of Common Shares intended to be disposed of and the intended method of distribution thereof) that the Company file a prospectus with its principal regulator (a "**Demand Registration**") to qualify the distribution by the Purchaser of such Common Shares in Canada.

6.2 Underwritten Offerings.

If any Demand Registration is an underwritten offering, the Company shall be entitled to select the investment bankers and managers to underwrite such offering subject to the prior approval of the Purchaser, such prior approval not to be unreasonably withheld.

6.3 Obligations of the Company.

Whenever the Company receives a request for a Demand Registration, the Company shall use its best commercial efforts to effect such qualification for distribution and pursuant thereto the Company shall, as expeditiously as reasonably possible, and to the extent necessary by virtue of the Securities Laws of the jurisdictions in which such qualification for distribution is to be effected:

(a) promptly prepare and file a preliminary prospectus, in the relevant jurisdictions and such other related documents as may be necessary or appropriate relating to the proposed qualification for distribution;

(b) as soon as possible after any comments of the relevant securities regulatory authorities have been satisfied with respect to such preliminary prospectus, prepare and file under applicable Securities Laws a (final) prospectus and use its reasonable best efforts to obtain receipts therefor and shall take all other steps and proceedings that may be necessary in order to qualify for distribution under, and in accordance with, such Securities Laws the Common Shares to be offered by the Purchaser under such prospectus (the "**Prospectus Securities**");

(c) prepare and file with the relevant securities regulatory authorities such amendments and supplements to such preliminary prospectus or (final) prospectus as may be necessary to comply with the provisions of all applicable Securities Laws with respect to the distribution of the Prospectus Securities until all of the Prospectus Securities have been distributed in accordance with the intended method of disposition;

(d) before filing any document referred to in Sections 6.3(a), 6.3(b), 6.3(c) or 6.3(g), give the Purchaser, and its legal counsel the opportunity to review and comment on such document (all of which documents shall be reasonably satisfactory to the Purchaser and its legal counsel before they are filed);

(e) furnish to the Purchaser such number of copies of the preliminary prospectus and (final) prospectus and any amendment and supplement thereto and such other relevant documents as the Purchaser may reasonably request in order to facilitate the disposition of the Prospectus Securities;

(f) furnish to the Purchaser:

  (i) an opinion or opinions of counsel for the Company in a form that is customary at such time for distributions of securities similar to the distribution of the Prospectus Securities addressed to the Purchaser and the underwriters, if any; and

  (ii) a "comfort" letter addressed to the Purchaser and the underwriters, if any, signed by the auditors of the Company in a form that is customary at such time and providing comfort in relation to financial information contained in the prospectus;

dated both the effective date of the (final) prospectus and the closing date for the distribution of the Prospectus Securities;

(g) (i) immediately notify the Purchaser of any circumstance or the happening of any event as a result of which any preliminary prospectus or (final) prospectus as then filed or in effect would include an untrue statement of material fact or would omit any fact that is required to be stated or that is necessary to make any statement therein not misleading; (ii) at the request of the Purchaser, prepare and file a supplement to or an amendment of the preliminary prospectus or (final) prospectus as may be necessary so that such document shall not include an untrue statement of material fact or omit to state any fact that is required to be stated or that is necessary to make any statement therein not misleading; and (iii) furnish the Purchaser such number of copies of the amendment or supplement and such other relevant documents as the Purchaser may reasonably request;

(h) qualify for distribution the Prospectus Securities under the Securities Laws of such Canadian jurisdictions (other than Quebec) as the Purchaser or any underwriter may reasonably request and do all such other acts and things as may be reasonably necessary or advisable to enable the Prospectus Securities to be distributed in such jurisdictions; provided that the Company shall not be required to become subject to continuous disclosure or similar requirements under the Securities Laws of any jurisdiction where, but for this Section, it would not be subject to such requirements;

(i) otherwise comply with all applicable Securities Laws during the course of the distribution;

(j) list the Prospectus Securities on all stock exchanges or markets on which the Common Shares are then listed or quoted;

(k) enter into such customary agreements, including underwriting agreements, containing such representations and warranties by the Company and such other terms and provisions as are customary therein including rights of indemnity and contribution in favour of the underwriters;

(l) in the event of the issuance of any order or ruling suspending the effectiveness of a prospectus receipt, suspending or preventing the use of any prospectus or suspending the qualification for distribution of any of the Prospectus Securities in any jurisdiction, use its reasonable best commercial efforts promptly to obtain the withdrawal of such order or ruling;

(m) execute and deliver all such further documents and instruments and do all such acts and things, including obtaining such other certificates and opinions as, in the reasonable opinion of the Purchaser, is customary in a distribution of securities similar to the distribution of the Prospectus Securities; and

(n) otherwise use its reasonable best commercial efforts to facilitate the distribution of the Prospectus Securities including causing management of the Company to participate in any road shows, sales meetings or other activities arranged by the underwriters provided such road shows, sales meetings or other activities comply with applicable Securities Laws.

If a Demand Registration in which Prospectus Securities are qualified for distribution involves an underwritten offering, the Company shall not effect any sale of Common Shares other than as part of such underwritten offering during a period of ninety (90) days, or such lesser period as the Purchaser and the managing underwriters may agree, after the date of the receipt for the (final) prospectus for such offering other than pursuant to benefit plans or outstanding commitments or to satisfy legal requirements.

6.4 Obligations of the Purchaser.

(a) If in the reasonable opinion of counsel to the Company it is necessary or appropriate in order to comply with any applicable Securities Laws, the obligations of the Company under Article 6 shall be conditional upon the Purchaser and any underwriter participating in such distribution executing and delivering to the Company an appropriate agreement, in a form reasonably satisfactory to counsel for the Company, that such person shall comply with all prospectus delivery requirements of all applicable Securities Laws and with anti-stabilization, manipulation and similar provisions of all applicable Securities Laws and shall furnish to the Company information about sales made in such offering.

(b) The Purchaser shall not effect sales of any Prospectus Securities qualified by or included in a prospectus or deliver any prospectus in respect of such sale after notification by the Company of any order or ruling suspending the effectiveness of the receipt for such prospectus suspending or preventing the use of such prospectus or suspending the qualification for distribution of any of the Prospectus Securities until such time as such order or ruling shall have been withdrawn or otherwise terminated.

(c) If any Demand Registration involves an underwritten offering, the Purchaser shall not effect any sale of Common Shares other than as part of such underwritten offering during a period of ninety (90) days, or such lesser period as the Company and the managing underwriters may agree, after the date of the receipt for the (final) prospectus.

6.5 Preparation of Documents; Due Diligence.

In connection with the preparation and filing of any preliminary prospectus, (final) prospectus or similar document as contemplated in this Article 6, the Company shall provide the Purchaser and the underwriters, if any, and their respective legal counsel, auditors and other representatives with the opportunity to participate in the preparation of such documents and each amendment thereof or supplement thereto and there shall be inserted therein such material as is required under applicable Securities Laws or which, in the reasonable judgment of the Purchaser or such underwriters and their respective legal counsel, should be included and which is acceptable to the Company, acting reasonably. The Company shall also provide the Purchaser and such underwriters with such access to the books and records of the Company and such opportunities to discuss the business and affairs of the Company with its officers and auditors as shall be necessary in their respective opinions or in the opinion of their respective counsel, and the Company shall cooperate with the Purchaser and such underwriters in the conduct of all due diligence which any of the foregoing persons may reasonably require in order for the purposes of establishing a due diligence defence as contemplated by applicable Securities Laws and in order to enable the Purchaser and such underwriters to execute any certificates required to be executed by them pursuant to applicable Securities Laws for inclusion in any preliminary prospectus, (final) prospectus or similar document.

6.6 Expenses.

Each of the Parties shall pay their respective legal, accounting and other costs and expenses incurred in connection with the preparation, execution and delivery of all documents and instruments executed pursuant to this Article 6 and any other costs and expenses whatsoever and howsoever incurred relating to the completion of a Demand Registration.

6.7 Qualification Exemption.

The Company shall use its reasonable best commercial efforts to file and furnish any reports required to be filed or furnished by it under applicable Securities Laws and do all such further acts and things as the Purchaser may reasonably request to enable the Purchaser to sell the Common Shares held by the Purchaser to Persons to whom the Securities Laws apply under an available exemption from the applicable requirement to qualify for distribution such Common Shares.

6.8 Additional Rights.

The Company represents and warrants to the Purchaser that it has not granted to any Person other than the Purchaser any rights to request or require the Company to qualify for distribution any securities issued by the Company. The Company shall not enter into any agreement, understanding or commitment that is inconsistent with the Purchaser's rights under this Agreement. Without limiting the generality of the foregoing, if the Company proposes at any time to grant to any Person rights to require the Company to qualify for distribution any Common Shares, the Company shall give prior notice, which notice shall include full particulars of such proposed grant, including all relevant circumstances related thereto, and if, in the sole reasonable opinion of the Purchaser, the terms of such proposed grant are more favourable to such Person than the rights granted to the Purchaser under this Agreement, the Company shall not make such grant unless the terms of this Agreement shall have been amended to the extent considered by the Purchaser, acting reasonably, to be necessary to provide the Purchaser with such more favourable rights.

ARTICLE 7
MISCELLANEOUS

7.1 Notices

Any notice, direction or other communication to be given under this Agreement or any Ancillary Agreement will be in writing and given by delivering it or sending it by facsimile or other similar form of recorded communication (return receipt requested) addressed:

(a) to the Company at:

Canoro Resources Ltd.
Suite 700 717 7th Avenue S.W.
Calgary, Alberta
T2P 0Z3

Attention: President
Telephone: (403) 543-5748
Email: rswynne@canoro.com

(b) with a copy to:

Burstall Winger LLP
Suite 1600 Dome Tower
333 7th Avenue S.W.
Calgary, Alberta
T2P 2Z1

Attention: Harley Winger
Telephone: (403)-234-3341
Facsimile: (403) 266-6016
Email: winder@burstall.com

(c) to the Purchaser:

Mass Financial Corp.
Suite 803
8th Floor, Dina House
Ruttonjee Centre
11 Duddell St., Central
Hong Kong

Attention: President
Telephone: 852-2537-3613
Facsimile: 852-2537-3689

(d) with a copy to:

Sangra Moller LLP
1000 Cathedral Place
925 West Georgia St.
Vancouver, British Columbia
V6C 3L2

Attention: Harjit Sangra
Telephone: 604-692-3022
Facsimile: 604-669-8803
Email: hsangra@sangramoller.com

Any such communication will be deemed to have been validly and effectively given (i) if personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Vancouver time) and otherwise on the next Business Day, or (ii) if transmitted by facsimile or similar means of recorded communication on the Business Day following the date of transmission. Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice will be sent to such Party at its changed address.

7.2 Expenses

Except as set forth in Section 5.5 herein or this Section, each Party shall pay all costs and expenses (including the fees and disbursements of legal counsel and other advisers) it incurs in connection with the negotiation, preparation and execution of the this Agreement, the Ancillary Agreements and the transactions contemplated by this Agreement and the Ancillary Agreements provided, however, that the Company shall be responsible for the fees and disbursements of counsel to Purchaser. The Company shall pay such fees and disbursements at each of the Private Placement Closing and the Rights Offering Closing.

7.3 Public Disclosure

The Company agrees that no public announcement or press release concerning this Agreement or any Ancillary Agreement or other instrument related thereto, or the relationship between the Company and the Purchaser will be made without prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed.

7.4 Time of the Essence

Time is of the essence of this Agreement.

7.5 Third Party Beneficiaries

Each Party hereto intends that this Agreement will not benefit or create any right or cause of action in or on behalf of any Person, other than the Parties hereto, and no Person, other than the Parties hereto, will be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

7.6 Enurement

This Agreement enures to the benefit of and be binding upon the Parties, their successors and any permitted assigns.

7.7 Assignment

The Company may not assign its rights and obligations under this Agreement without the express written consent of the Purchaser. The Purchaser may at any time assign its interest in and rights under this Agreement to one or more of its Affiliates.

7.8 Waiver

No waiver of any of the provisions of this Agreement or any Ancillary Agreement will be deemed to constitute a waiver of any other provision (whether or not similar); nor will such waiver be binding unless executed in writing by the Party to be bound by the waiver.

7.9 Governing Law

This Agreement is governed by and interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

[INTENTIONALLY LEFT BLANK]

7.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile or electronic delivery) and all of such counterparts taken together will be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement.

CANORO RESOURCES LTD.

By: ______________________________

Name:

Title:

MASS FINANCIAL CORP.

By: ______________________________

Name:

Title:

7.10 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile or electronic delivery) and all of such counterparts taken together will be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement.

CANORO RESOURCES LTD.

By: ______________________________
Name: Robert S. Wynne
Title: President & Chief Executive Officer

MASS FINANCIAL CORP.

By: ______________________________
Name:
Title:

SCHEDULE A

WARRANT CERTIFICATE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS WARRANT MUST NOT TRADE THE WARRANT (OR ANY UNDERLYING COMMON SHARES) BEFORE •, 2010.

THE SHARE PURCHASE WARRANTS REPRESENTED BY THIS CERTIFICATE WILL BE VOID AND OF NO VALUE UNLESS EXERCISED ON OR BEFORE THE EXPIRY DATE

CANORO RESOURCES LTD.
(Organized under the laws of the Province of Alberta)

Certificate No.: •

• Warrants
(each Warrant exercisable for one (1) Common Share)

This is to certify that
FOR VALUE RECEIVED

Mass Financial Corp. (the "**Holder**") is the registered owner of the number of warrants specified above (the "**Warrants**") entitling the Holder, at any time prior to the Expiry Date (as hereinafter defined), to subscribe for and purchase at the Exercise Price (as hereinafter defined) up to the number specified above of fully paid and non-assessable Common Shares (each, a "**Shares**") in the capital of Canoro Resources Ltd. (the "**Company**"), upon the terms and conditions as hereinafter set forth.

1. Expiry Date

The Warrants to purchase Shares may be exercised at the option of the Holder on or before the Expiry Date (as defined in Section 6), after which all rights evidenced hereby shall be void and of no further force or effect.

2. Exercise Price

The exercise price (the "**Exercise Price**") shall be $0.10 per Share, which is equal to the price of the exercise price under the Rights (as defined in the investment agreement dated April 16, 2010 between the Company and the Holder), unless such price shall have been adjusted in accordance with the provisions set out in Section 14 under the heading "Dilution", in which case it shall mean the adjusted price in effect at the time of exercise.

3. Exercise of Warrant

These Warrants may be exercised, in whole or in part, at any time and from time to time prior to the Expiry Date by the Holder completing the Exercise Form attached hereto as Annex A and made a part hereof and delivering same to the Company at Suite 700, 717 7th Avenue S.W., Calgary, Alberta T2P 0Z3, Attention: President, together with this certificate and the appropriate sum payable to or to the order of the Company, at par, in the amount of the purchase price of the Shares subscribed for, which may not exceed the number shown on the face hereof. The Company shall notify the Holder in writing of any change of its address.

4. Payment

The Shares subscribed for hereunder must be paid in full at the time of subscription, by wire transfer, certified cheque or bank draft payable in Canadian funds to or to the order of the Company.

5. Share Certificates

Within three (3) business days of compliance of the conditions aforesaid, the Company will cause to be delivered to the Holder at the address or addresses specified in the Exercise Form, a certificate or certificates evidencing the number of Shares subscribed for.

6. Definition of Expiry Date

The "**Expiry Date**" of these Warrants shall be 5:00 p.m., Pacific time, on the date which is six months after the date hereof.

7. Exercise in Whole or in Part

The Warrants represented by this certificate may be exercised in whole or in part, and if exercised in part, the Company shall issue another certificate, without charge, in a form substantially similar to this certificate evidencing the rights of the Holder to purchase up to the remaining Shares which it continues to be entitled to purchase hereunder, provided that any such right shall terminate on the Expiry Date.

8. No Rights of Shareholder Until Exercise

These Warrants confer no shareholder rights on the Holder other than with respect to Shares in respect of which the Holder shall have exercised its right to purchase hereunder and which the Holder shall have actually taken up and paid for in accordance with the terms and conditions hereof.

9. Issue in Substitution for Warrant Certificate Lost, etc.

In case the certificate evidencing the Warrants issued hereby shall become mutilated or lost, destroyed or stolen, the Company, subject to applicable law, shall issue a new Warrant certificate of like tenor, and bearing the same legend, if applicable, as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant certificate.

The applicant for the issue of a new Warrant certificate pursuant to this Section 9 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Company an affidavit verifying the loss, destruction or theft of the Warrant certificate so lost, destroyed or stolen as shall be satisfactory to the Company, acting reasonably, and such applicant may also be required to furnish an indemnity and surety bond in form and amount satisfactory to the Company, acting reasonably.

10. Exchanges of Warrant Certificates

The Holder may at any time prior to the Expiry Date, upon surrender hereof to the Company at the address specified in Section 3, exchange this Warrant certificate for other Warrant certificates of like tenor entitling the Holder to acquire in the aggregate the same number of Shares as may be acquired hereunder. Any Warrant certificate tendered for exchange shall be surrendered to and cancelled by the Company.

11. No Fractional Shares

No fractional Shares shall be issued upon exercise of any Warrant and no payments or adjustment shall be made upon any exercise on account of any distributions on the Shares issued upon such exercise. If any fractional interest in a Share would, except for the provisions of the first sentence of this paragraph, be deliverable upon the exercise of a Warrant, then the number of Shares to be issued hereunder shall be rounded up to the nearest whole number.

12. Transfer of Warrants

The Warrants may only be transferred by the Holder or its liquidator, trustee in bankruptcy, legal representatives, or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Company by: (a) surrendering to the Company the Warrant certificate(s) representing the Warrants to be transferred together with a duly executed Transfer Form and Acknowledgement and Declaration of Transferee attached hereto as Annex B and made a part hereof; and (b) upon compliance with:

(i) the conditions herein; and

(ii) all applicable securities legislation and requirements of regulatory authorities.

Upon compliance with such requirements, the Company shall issue to the transferee a Warrant certificate representing the Warrants transferred.

13. Transfer Restrictions

Notwithstanding anything herein contained, any transfer of Warrants will require compliance with the securities laws of any applicable jurisdiction. Further, the Company is entitled to refuse to recognize any transfer of any Warrant if such transfer, or the issue of Shares on exercise of such Warrant following such transfer, would (1) constitute a violation of the securities laws of any applicable jurisdiction, or (2) constitute a violation of the rules, regulations or policies of any regulatory authority having jurisdiction.

14. Dilution

The Exercise Price in effect and the number and type of securities purchasable under the Warrants at any date shall be subject to adjustment from time to time as follows:

(a) If and whenever at any time after the date hereof and prior to the Expiry Date, the Company shall:

(i) subdivide, redivide or change its outstanding Shares into a greater number of shares;

(ii) reduce, combine or consolidate its outstanding Shares into a smaller number of shares; or

(iii) issue Shares (or securities convertible into or exchangeable for Shares) to holders of all or substantially all of the outstanding Shares by way of a share dividend or other distribution of Shares or securities convertible into or exchangeable for Shares;

(any such events in (i), (ii) and (iii) being a "**Share Reorganization**"), the Exercise Price in effect on the effective date of any Share Reorganization shall be adjusted immediately after such event or on the record date for such issue of Shares by way of share dividend, as the case may be, so that it shall equal the amount determined by multiplying the Exercise Price in effect immediately prior to such event by a fraction, of which the numerator shall be the total number of Shares outstanding immediately prior to such event and of which the denominator shall be the total number of Shares outstanding immediately after such event (including, in the case where securities convertible into or exchangeable for Shares are distributed, the number of Shares that would have been outstanding had all such securities been exchanged for or converted into Shares on such effective date or record date). The number of Shares which the Holder is entitled to purchase under this Warrant certificate shall be adjusted at the same time by multiplying the number by the inverse of the aforesaid fraction. Any such adjustments shall be made successively whenever any event referred to in this paragraph 14(a) shall occur and any such issue of Shares by way of an share dividend shall be deemed to have been made on the record date for the share dividend for the purpose of calculating the number of outstanding Shares immediately after such event under paragraphs 14(a) and 14(d) of this Section.

(b) If and whenever at any time from the date hereof and prior to the Expiry Date, there is (i) a reclassification of the Shares or a capital reorganization of the Company other than as described in paragraph 14(a), or (ii) a consolidation, arrangement, amalgamation, takeover or merger of the Company with or into any other body corporate, trust, partnership or other entity (other than a consolidation, arrangement, amalgamation, takeover or merger of the Company which does not result in any reclassification of the outstanding Shares), or (iii) a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity in which holders of Shares are entitled to receive shares, other securities or other property, (any of such events being hereinafter in this Section 14 referred to as a "**Reorganization**"), if the Holder has not fully exercised its right to purchase Shares under the Warrants prior to the effective date of such Reorganization it shall, upon the exercise of such right thereafter, be entitled to receive and shall accept, in lieu of the number of Shares then sought to be acquired by it, the kind and number of shares or other securities or property of the Company or of the body corporate, trust, partnership or other entity resulting from such Reorganization, or to which such sale or conveyance may be made, as the case may be, that the Holder would have been entitled to receive on such Reorganization, if, on the record date or the effective date thereof, as the case may be, the Holder had been the registered holder of the number of Shares sought to be acquired by it, subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained in this Section 14. In determining the kind and amount of securities or the property receivable upon exercise of the Warrants following the completion of a Reorganization, if the holders of Shares have the right to elect the kind or amount of consideration receivable upon completion of such Reorganization, then the Holder shall have the right to make a similar election (including, without limitation, being subject to similar proration constraints) upon exercise of the Warrants with respect to the securities or property that the Holder will receive upon exercise of its Warrants.

(c) If and whenever at any time after the date hereof and prior to the Expiry Date, the Company shall fix a record date for the issuance of rights, options or warrants to all or substantially all of the holders of the outstanding Shares, entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Shares (or securities convertible into or exchangeable for Shares) at a price (or having a conversion or exchange price) that is less than 95% of the Current Market Price (as hereinafter defined) on such record date (any such events being a "**Rights Offering**"), the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Shares outstanding on such record date plus the number arrived at by dividing the aggregate price of the total number of additional Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Shares outstanding on such record date plus the total number of additional Shares offered for subscription or purchase (or into which the convertible or exchangeable securities so offered are convertible or exchangeable). The number of Shares which the Holder is entitled to purchase under this Warrant certificate shall be adjusted at the same time by multiplying the number by the inverse of the aforesaid fraction. Any Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such rights, options or warrants are not so issued or any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall then be re-adjusted to the Exercise Price which would then be in effect based upon the number and aggregate price of Shares (or securities convertible into or exchangeable for Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

(d) If and whenever the Company fixes a record date for the making of a dividend or distribution to all or substantially all the holders of its outstanding Shares of:

(i) securities of the Company or a subsidiary of the Company, including rights, options or warrants to acquire securities of the Company or subsidiary of the Company or any of its property or assets and including evidences of indebtedness; or

(ii) any property or other assets, including evidences of its indebtedness,

then and in each such case, if such distribution or dividend does not constitute a Share Reorganization or a Rights Offering, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Shares outstanding on such record date multiplied by the Current Market Price per Share on such record date, less the fair market value (as determined by the board of directors of the Company (the "**Board**"), which determination shall be conclusive) of such shares or rights, options or warrants or evidences of indebtedness or assets so distributed, and of which the denominator shall be the total number of Shares outstanding on such record date multiplied by such Current Market Price per Share. The number of Shares which the Holder is entitled to purchase under this Warrant certificate shall be adjusted at the same time by multiplying the number by the inverse of the aforesaid fraction. Any Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. The foregoing adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or to the Exercise Price which would then be in effect based upon such Shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.

(e) With respect to any rights or warrants (the "**Rights**") that may be issued or distributed pursuant to any rights plan that the Company implements after the date of this Warrant certificate (a "**Rights Plan**"), to the extent that such Rights Plan is in effect on the day of exercise, the Holder will receive, with respect to the Shares issued upon such exercise, the Rights described therein (whether or not the Rights have separated from the Shares at the time of exercise), subject to the limitations set forth in and in accordance with any such Rights Plan; provided that, if, at the time of exercise, however, the Rights have separated from the Shares in accordance with the provisions of the Rights Plan so that the Holder would not be entitled to receive any rights in respect of the Shares issuable upon exercise of the Warrants as a result of the timing of the day of exercise, then (unless the Company distributes such Rights to the warrantholders at the time of separation as if each warrantholder had exercised their Warrants immediately prior to the record date with respect to such distribution) the Exercise Price in effect immediately prior to the record date fixed for the determination of shareholders entitled to receive such Rights on separation shall be adjusted so that the same shall equal the rate determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction of which the numerator shall be the Current Market Price per Share on such record date and of which the denominator shall be Current Market Price per Share on such record date less the fair market value (as determined in good faith by the Board, whose determination shall be conclusive evidence of such fair market value) on such record date of the Rights applicable to one Share, subject to appropriate readjustment in the event of the expiration, termination, repurchase or redemption of the Rights. Other than as specified in this paragraph 14(e), there will not be any adjustment to the Exercise Price as a result of the issuance of any Rights, the distribution of separate certificates representing such Rights, the exercise or redemption of such Rights in accordance with any Rights Plan or the termination or invalidation of any Rights.

(f) If any issuer bid (as hereinafter defined) made by the Company or any of its Subsidiaries for all or any portion of Shares expires, then, if the issuer bid shall require the payment to shareholders of consideration per Share having a fair market value (determined as provided below) that exceeds the Closing Price on the stock exchange or stock quotation system on which such Shares are listed on any day on which such exchange or market is open for trading or quotation (the "**Trading Day**") next succeeding the last date (the "**Expiration Date**") deposits could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "**Expiration Time**"), the Exercise Price shall be decreased so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior to the close of business on the Expiration Date by a fraction of which the numerator shall be the sum of (A) the fair market value of the aggregate consideration (the fair market value as determined in good faith by the Board, whose determination shall be conclusive evidence of such fair market value) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "**Purchased Shares**") and (B) the product of the number of Shares outstanding (less any Purchased Shares and excluding any shares held in the treasury of the Company) at the Expiration Time and the Closing Price per Share on the Trading Day next succeeding the Expiration Date and the denominator of which shall be the product of the number of Shares outstanding (including Purchased Shares but excluding any shares held in the treasury of the Company) at the Expiration Time multiplied by the Closing Price per Share on the Trading Day next succeeding the Expiration Date, such increase to become effective immediately prior to the opening of business on the seventh Trading Day following the Expiration Date. In the event that the Company is obligated to purchase Shares pursuant to any such issuer bid, but the Company is permanently prevented by applicable laws from effecting any or all such purchases or any or all such purchases are rescinded, the Exercise Price shall again be adjusted to be the Exercise Price which would have been in effect based upon the number of shares actually purchased, if any. If the application of this paragraph 14(f) to any issuer bid would result in an increase in the Exercise Price, no adjustment shall be made for such issuer bid under this paragraph 14(f).

(g) If the Company shall issue Shares (or rights or warrants or other securities exercisable or convertible into or exchangeable for Shares (collectively, "**Convertible Securities**")) pursuant to a non-public offering (other than in Permitted Transactions (as hereinafter defined)) without consideration or at a consideration per Share (or having a conversion or exercise price per Share) that is less than 90% of the Current Market Price on the last trading day preceding the date of the agreement on pricing such Shares or Convertible Securities (such date of the agreement on pricing, the "**Pricing Date**") (any such events being a "**Non-Public Offering**") then, in such event, the Exercise Price in effect immediately prior to the Pricing Date shall be adjusted so that it shall equal the price determined by multiplying such Exercise Price by a fraction, of which the numerator shall be the sum of (A) the number of Shares outstanding immediately prior to the Pricing Date and (B) the number of Shares which the aggregate consideration receivable by the Company for the total number of Shares so issued (or into which Convertible Securities may be exercised or converted) would purchase at the Current Market Price on the last trading day preceding the Pricing Date, and of which the denominator shall be the sum of (A) the number of Shares outstanding immediately prior to the Pricing Date and (B) the number of additional Shares issued (or into which Convertible Securities may be exercised or converted), such increase to become effective immediately prior to the opening of business on the seventh Trading Day following the closing of the Non-Public Offering.

For purposes of the foregoing, the aggregate consideration receivable by the Company in connection with the issuance of such Shares or Convertible Securities shall be deemed to be equal to the sum of the offering price (including the fair market value (as determined in good faith by the Board, whose determination shall be conclusive evidence of such fair market value) of any non-cash consideration) of all such securities plus the minimum aggregate amount, if any, payable upon exercise or conversion of any such Convertible Securities into Shares; and "**Permitted Transactions**" shall mean issuances of Shares or Convertible Securities (i) in a merger or consolidation transaction, (ii) in connection with employee benefit plans, incentive plans and compensation related arrangements in the ordinary course and consistent with past practice approved by the Board, or (iii) in connection with a public or broadly marketed offering and sale of Shares, Convertible Securities or rights or warrants entitling the holder to purchase Shares for cash, conducted on a basis consistent with offerings by public companies of similar size in their own capital raising transactions. Such adjustments shall be made successively whenever any Shares or Convertible Securities are issued.

(h) For purposes of any determination in this Section 14, "**issuer bid**" shall mean and include both issuer bids and exchange offers and excludes any exempt issuer bid carried out in accordance with applicable Canadian securities laws, all references to "purchases" of shares in issuer bids (and all similar references) shall mean and include both the purchase of shares in issuer bids and the acquisition of shares pursuant to exchange offers, and all references to "tendered shares" (and all similar references) shall mean and include shares tendered in both issuer bids and exchange offers.

(i) For purposes of any determination in this Section 14, "**Closing Price**" means on any Trading Day, the reported last sale price per Share (or if no last sale price is reported, the average of the bid and ask prices per Share or, if more than one in either case, the average of the average bid and the average ask prices per Share) on such date reported by the stock exchange or stock quotation system on which such Shares are listed, or if no such prices are available, the Closing Price shall be the fair value of a Share as reasonably determined by such nationally recognized independent investment banking firm as may be selected by the Board in it sole discretion (which determination shall be conclusive).

(j) For the purpose of any determination in this Section 14, "**Voting Securities**" means securities having under all circumstances voting power to elect at least a majority of the directors of the corporation, association or other business entity, provided that securities which only carry the right to vote conditionally on the happening of an event shall not be considered to be Voting Securities nor shall any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event.

(k) For the purpose of any computation in this Section 14, the "**Current Market Price**" per Share at any date shall be the volume weighted average price per Share for such shares for the 20 consecutive trading days ending on the fifth trading day before such date on the stock exchange or stock quotation system on which such Shares are listed and on which the greatest volume of Shares were traded during such period, or if such Shares are not then listed on any stock exchange, then on the over-the-counter market on which such Shares are quoted for trading. The weighted average price shall be determined by dividing the aggregate sale price of all such Shares sold on the said exchange, market or stock quotation system, as the case may be, during the said 20 consecutive trading days by the total number of such Shares so sold. If such Shares are not listed on any stock exchange, traded on an over-the-counter market or stock quotation system, the Current Market Price shall be determined by the Board acting reasonably and in good faith.

(l) For the purpose of any determination in this Section 14, "**record date**" shall mean, with respect to any dividend, distribution or other transaction or event in which the Holders of Shares have the right to receive any cash, securities or other property or in which the Shares (or other applicable security) is exchanged or converted into any combination of cash, securities or other property, the date fixed for determination of Shareholders entitled to receive such cash, security or other property (whether or not such date is fixed by the Board or by statute, contract or otherwise).

(m) In any case in which this Section 14 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Company may defer, until the occurrence of such event, issuing to the Holder of any Warrants exercised after such record date and before the occurrence of such event the kind and amount of shares, other securities or property to which it would be entitled upon such exercise by reason of the adjustment required by such event; provided that the Company shall deliver to the Holder an appropriate instrument evidencing the Holder's right to receive the kind and amount of shares, other securities or property to which it would be entitled upon the occurrence of the event requiring such adjustment and the right to receive any distributions made or declared in favour of holders of record of Shares as constituted from time to time on and after such date as the Holder would, but for the provisions of this paragraph 14(m), have received, or become entitled to receive, on such exercise.

(n) The adjustments provided for in this Section 14 are cumulative, shall be calculated to the nearest one-tenth of a cent (in the case of adjustments to the Exercise Price) and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this paragraph; provided that notwithstanding any other provision of this paragraph: (i) no adjustment of the Exercise Price or number of Shares, as then constituted, purchasable shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect or the number of Shares, as then constituted, purchasable; and (ii) any adjustments which by reason of this paragraph 14(n) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(o) In the event of any question arising with respect to the adjustments provided in this paragraph, such question shall be conclusively determined by the auditors of the Company, or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by the directors of the Company and any such determination, absent manifest error, will be binding upon the Company and the Holder. Such auditors or accountants shall have access to all necessary records of the Company.

(p) In case the Company shall take any action affecting the Shares other than an action described in this Section 14, which in the opinion of the Board would materially affect the rights of the Holder, the Exercise Price and/or the number of Shares which may be acquired upon exercise of the Warrants shall be adjusted by action of the Board in such manner and at such time, in their sole discretion, as they may determine to be equitable in the circumstances, provided that no such adjustment will be made unless prior approval, where required, of all stock exchanges on which the Shares are listed for trading has been obtained. Failure of the Board to make such an adjustment shall be conclusive evidence that the Board has determined that it is equitable to make no adjustment in the circumstances.

(q) If one or more events occur requiring an adjustment be made to the Exercise Price for a particular period, adjustments to the Exercise Price shall be determined by the Board to reflect the combined impact of such Exercise Price adjustment events, as set out in this Section 14, during such period.

(r) If the Company sets a record date to determine the Shareholders for the purpose of entitling them to receive any distribution or sets a record date to take any other action and thereafter and before the distribution to such Shareholders of any such distribution or the taking of any other action, legally abandons its plan to pay or deliver such distribution or take such other action, then no adjustment in the Exercise Price shall be made.

(s) Within five (5) days after the occurrence of any event which requires an adjustment pursuant to this Section 14, to the Exercise Price or in any of the subscription rights pursuant to the Warrants, including the number of Shares, as then constituted, which are to be received upon the exercise thereof, the Company shall forthwith deliver to the Holder a certificate of the Company specifying the particulars of such event and the required adjustment and the computation of such adjustment and give at least 10 days prior written notice to the Holder of the record date or effective date of such event, as the case may be, and such notice shall include particulars of such event and the required adjustment. Upon the request of the Holder there shall be transmitted as soon as reasonably practicable to the Holder a statement of the auditors of the Company to the effect that such auditors concur in the Company's calculation of the adjustment.

15. Covenants of the Company

(a) The Company will take all such action as is within its power to assure that all such Shares issuable upon the exercise of the Warrants may be so issued without violation of any applicable law.

(b) The issuance of certificates for Shares, if applicable, upon the exercise of each Warrant shall be made without charge to the Holder for any issuance tax in respect thereto.

(c) The Company shall at all times reserve and keep available, out of its authorized unissued Shares, for the purpose of enabling it to satisfy any obligation to issue Shares upon exercise of the Warrants, the full number of Shares deliverable upon the exercise thereof.

(d) So long as the Warrants have not expired, the Company or its successor shall, at the Company's expense, (i) use its reasonable best efforts to maintain the listing of its Shares on each exchange upon which the Shares are currently listed and posted for trading and (ii) provided such Shares are listed at the time this Warrant is exercised, cause all Shares issued upon exercise of this Warrant to be listed and posted for trading on each such exchange.

(e) The Company will make all requisite filings under applicable Canadian securities legislation and will take all such reasonable steps and actions including those necessary to remain a reporting issuer (or its equivalent) not in default of the requirements of the securities legislation and regulations of each of the provinces of Canada.

(f) The Company will maintain its existence until the Expiry Date other than as specifically provided herein.

(g) The Company shall not enter into any transaction whereby all or substantially all of its or its subsidiaries undertaking, property and assets would become the property of any other person, or, in the case of an amalgamation, of the continuing corporation resulting therefrom, unless such other person or continuing corporation shall expressly assume the due and punctual performance and observance of each and every covenant and obligation contained in this Warrant certificate to be performed or observed by the Company.

16. No Obligation to Purchase

Nothing herein contained or done pursuant hereto shall obligate the Holder to purchase or pay for or the Company to issue any Shares except those Shares in respect of which the Holder shall have exercised its right to purchase in the manner provided hereunder.

17. Notices

Any notice, direction or other communication to be given under this Warrant will be in writing and given by delivering it or sending it by facsimile or other similar form of recorded communication (return receipt requested) addressed:

(1) to the Company at:

Canoro Resources Ltd.
Suite 700 717 7th Avenue S.W.
Calgary, Alberta
T2P 0Z3

Attention:	President
Telephone:	(403) 543-5748
Email:	rswynne@canoro.com

(2) with a copy to:

Burstall Winger LLP
Suite 1600 Dome Tower
333 7th Avenue S.W.
Calgary, Alberta
T2P 2Z1

Attention:	Harley Winger
Telephone:	(403)-234-3341
Facsimile:	(403) 266-6016
Email:	winder@burstall.com

(3) to the Holder at:

Mass Financial Corp.
Suite 803
8th Floor, Dina House
Ruttonjee Centre
11 Duddell St., Central
Hong Kong

Attention:	President
Telephone:	852-2537-3613
Facsimile:	852-2537-3689

(4) with a copy to:

Sangra Moller LLP
1000 Cathedral Place
925 West Georgia St.
Vancouver, British Columbia
V6C 3L2

Attention:	Harjit Sangra
Telephone:	604-692-3022
Facsimile:	604-669-8803
Email:	hsangra@sangramoller.com

Any such communication will be deemed to have been validly and effectively given (i) if personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 5:00 p.m. (Pacific time) and otherwise on the next Business Day, or (ii) if transmitted by facsimile or similar means of recorded communication on the Business Day following the date of transmission. Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice will be sent to such Party at its changed address.

For the purpose of any determination in this Section 17, "**Business Day**" means any day other than Saturday, Sunday or a day on which chartered banks are closed for business in Vancouver, British Columbia or Calgary, Alberta.

18. Miscellaneous

(a) This certificate evidencing the Warrants shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

(b) If any one or more of the provisions or parts thereof contained in this certificate should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and: (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this certificate in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this certificate in any other jurisdiction.

(c) **UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE WARRANTS EVIDENCED HEREBY OR THE SHARES ISSUABLE UPON THE EXERCISE OF THE WARRANTS MUST NOT TRADE THE WARRANTS OR SUCH SHARES BEFORE •, 2010.** Prior to •, 2010, all certificates issued, if applicable, in respect of Shares issued upon the exercise of a Warrant, including those certificates issued, if applicable, in connection with a sale, trade or transfer of such Shares, shall have the following legend endorsed thereon:

> **"Unless permitted under securities legislation, the holder of these securities must not trade these securities before •, 2010."**

The holder of such Share certificate shall be entitled to have the legend removed after •, 2010 by presentation thereof to the Company. Any Share certificate issued after •, 2010, need not have the legend set out above endorsed thereon.

(d) The Company and the Holder shall from time to time take or cause to be taken such action and execute and deliver or cause to be executed and delivered such documents and such further assurances as may be necessary or advisable to give effect to the provisions hereof.

(e) The headings in this certificate have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this certificate.

(f) Time shall be of the essence hereof.

(g) Whenever used in this certificate, words importing the singular number only shall include the plural and vice versa and words importing gender shall include all genders.

(h) This certificate and all of its provisions shall enure to the benefit of and be binding upon the Holder and its successors, administrators, personal representatives and assigns and shall be binding upon the Company and its successors and assigns.

(i) This Warrant may only be amended, supplemented or otherwise modified by written agreement signed by the Company and the Holder.

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

DATED: •, 2010

CANORO RESOURCES LTD.

Per: ______________________________

Name:
Title:

I have the authority to bind the Company

ANNEX A

EXERCISE FORM

TO: **CANORO RESOURCES LTD.**

(a) The undersigned hereby exercises the right to acquire ____________________ Shares of Canoro Resources Ltd. (or such number of other securities or property to which such Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the Warrant certificate to which this form is attached) at the Exercise Price per Share specified in the said Warrant certificate and encloses herewith a certified cheque or bank draft payable to or to the order of Canoro Resources Ltd. in the aggregate amount of Cdn $____________________ in payment of the subscription price therefor. As used herein, "Shares", "Exercise Price" and "Warrants" shall have the meaning ascribed thereto in the Warrant certificate to which this form is attached.

(b) The Shares (or other securities or property) are to be issued as follows:

Name: ____
(print clearly)

Address in full: ____

____

Number of Shares: ____

Note: If further nominees intended, please attach (and initial) schedule giving these particulars.

(c) The undersigned hereby represents and warrants to the Company that the undersigned is not a U.S. Person and the Warrant is not being exercised within the United States or on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States.

Such securities (please circle one):

(i) should be delivered to the following address:

____

____

OR

(ii) should be held for pick up at the office of the Company's transfer agent.

If the number of Warrants exercised are less than the number of Warrants represented hereby, the undersigned requests that the new Warrant certificate representing the balance of the Warrants be registered in the name of ____

whose address is ____

Such securities (please circle one):

(i) should be sent by personal delivery to the following address:

____

____

OR

(ii) should be held for pick up at the office of the Company's transfer agent.

In the absence of instructions to the contrary, the securities or other property will be issued in the name of or to the Holder and will be delivered to the last address of the Holder appearing on the register maintained for the Warrants.

DATED this _______ day of ________________________, _________.

____
(Signature of the Holder)

____
Print Full Name

____
Print Full Address

____

Instructions:

1. For the purposes of paragraph (c) above, the following words and phrases have the following meanings:

   "United States" and "U.S. Person" have the meaning given to such terms under Regulation S of the U.S. Securities Act. For purposes of Regulation S, "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" includes, with certain expectations, (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. Person; (iv) any trust of which any trustee is a U.S. Person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if any individual) resident in the United States; and (viii) any partnership or corporation if (a) organized or incorporated under the laws of any jurisdiction other than the United States and (b) formed by a U.S. Person principally for the purposes of investing in securities not registered under the U.S. Securities Act; and

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

2. The Holder may exercise its right to receive Shares by completing this form and surrendering this form, the purchase price and the certificate representing the Warrants being exercised to the Company at Suite 700, 717 7th Avenue S.W., Calgary, Alberta T2P 0Z3, Attention: President. The Company shall immediately notify the Holder in writing of any change in or change of its address.

3. If the Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, if requested in writing by the Company, the certificate must be accompanied by evidence of authority to sign satisfactory to the Company.

<u>ANNEX B</u>

TRANSFER FORM

TO: CANORO RESOURCES LTD.

ANY TRANSFER OF WARRANTS WILL REQUIRE COMPLIANCE WITH APPLICABLE SECURITIES LEGISLATION. THE COMPANY IS ENTITLED TO REFUSE TO RECOGNIZE ANY TRANSFER OF ANY WARRANT IF SUCH TRANSFER, OR THE ISSUE OF COMMON SHARES ON EXERCISE OF SUCH WARRANT FOLLOWING SUCH TRANSFER, WOULD (1) CONSTITUTE A VIOLATION OF THE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION. or (2) CONSTITUTE A VIOLATION OF THE RULES, REGULATIONS OR POLICIES OF ANY REGULATORY AUTHORITY HAVING JURISDICTION. TRANSFERORS AND TRANSFEREES ARE URGED TO CONTACT LEGAL COUNSEL BEFORE EFFECTING ANY SUCH TRANSFER.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to

____

(Please print or type name and address of Assignee)

____________Warrants of Canoro Resources Ltd. (the "Company") registered in the name of the undersigned on the records of the Company represented by the Warrant certificate attached.

If less than all the Warrants represented by the Warrant certificate are being transferred, the Warrant certificate representing those Warrants not transferred will be registered in the name appearing on the face of this Warrant certificate and such certificates (please check one):

should be sent by first class mail to the following address: ______________________

____

should be held for pick up at the office of the Company.

DATED the ______ day of _______________, 20____ .

______________________________	______________________________
Signature Guaranteed by	(Signature of Warrantholder)
	______________________________
	(Print Name of Warrantholder in Full)
	______________________________
	(Print Address in Full)

Instructions:

1. Signature of the Warrantholder must be the signature of the Person appearing on the face of the Warrant certificate.

2. If the Transfer Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any other Person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Company.

3. The signature on the Transfer Form must, in certain circumstances, be signature guaranteed or medallion guaranteed or signature and authority to sign guaranteed by an authorized officer of a Canadian schedule 1 bank, a major trust company or a member of the Securities Transfer Agents Medallion Program (STAMP) and the Transfer Form must be submitted with a duly executed Acknowledgement and Declaration of Transferee in the form attached.

4. Warrants will only be transferable in accordance with applicable laws. The transfer of Warrants may result in the Common Shares obtained upon the exercise of the Warrants not being freely tradable in the jurisdiction of the purchaser.

5. Transferees must duly complete the Acknowledgement and Declaration of Transferee form attached.

The signature(s) on this form must be guaranteed by one of the following methods:

Canada and the USA: A Medallion Signature Guarantee obtained from a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). Many commercial banks, savings banks, credit unions, and all broker dealers participate in a Medallion Signature Guarantee Program. The Guarantor must affix a stamp bearing the actual words "Medallion Guaranteed".

Canada: A Signature Guarantee obtained from a major Canadian Schedule 1 chartered bank. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisse Populaires unless they are members of a Medallion Signature Guarantee Program.

Outside North America: For Holders located outside North America, present the certificate(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee Program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

ACKNOWLEDGEMENT AND DECLARATION OF TRANSFEREE

TO: **CANORO RESOURCES LTD.**

The undersigned transferee of Warrants of Canoro Resources Ltd. hereby acknowledges that such Warrants are subject to the terms, conditions and provisions of a Warrant certificate dated •, 2010.

DATED the day of ______, 2010.

Name of Transferee

By: ______________________________

____
Office or Title

____
Address of Transferee