

ACQUISITION AGREEMENT

Between

DELPHI ENERGY CORP.

and

FAIRMOUNT ENERGY INC.

August 20, 2009

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ACQUISITION AGREEMENT

THIS AGREEMENT made the 20th day of August, 2009

BETWEEN:

DELPHI ENERGY CORP. a corporation existing under the laws of Alberta (hereinafter referred to as “**Delphi**”)

AND:

FAIRMOUNT ENERGY INC., a corporation existing under the laws of Canada (hereinafter referred to as “**Fairmount**”)

WHEREAS Delphi is prepared to make an offer to acquire all of the Fairmount Shares, subject to the terms and conditions of this Agreement and Fairmount is desirous of entering into this Agreement for such purpose.

AND WHEREAS the board of directors of Fairmount after receiving outside legal and financial advice and receiving an opinion from its financial advisor that the consideration per Fairmount share offered pursuant to the Offer, is fair, from a financial point of view, to the holders of Fairmount Shares, has determined that it would be advisable and in the best interests of Fairmount and its shareholders to co-operate with Delphi, take all reasonable action to support the Offer and unanimously recommend acceptance of the Offer to Fairmount Shareholders, all on the terms and subject to the conditions of this Agreement.

NOW THEREFORE IN CONSIDERATION OF the mutual covenants hereinafter contained and other good and valuable consideration (the receipt and adequacy whereof is hereby acknowledged), the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals hereto), unless there is something in the subject matter or context inconsistent therewith:

“**Act**” means the *Canada Business Corporations Act*, as the same has been and may hereafter, from time to time, be amended;

“**affiliate**” means, with respect to any Person, any other Person, directly or indirectly controlling, controlled by or under common control with, such first Person;

“**Agreement**”, “**this Agreement**”, “**herein**”, “**hereto**”, and “**hereof**” and similar expressions refer to this agreement (and not to any particular Article or Section hereof), as the

same may be amended or supplemented from time to time and, where applicable, to the appropriate Schedules hereto;

“Assets” means the Petroleum and Natural Gas Rights, the Tangibles, Surface Interests and Miscellaneous Interests;

“Business Day” means any day excepting a Saturday, Sunday or statutory, bank or civic holiday in Calgary, Alberta;

“Conditional Exercise” has the meaning set forth in Section 2.4(c);

“Confidentiality Agreements” means the Confidentiality Agreements between Fairmount and Delphi, in each case dated July 13, 2009;

“Dealer Manager” has the meaning set forth in Section 3.2;

“Delphi Facilities” means those gathering and compression facilities required for the gathering and compression of Petroleum Substances produced under authority of leases granted to the Delphi Group at Bigstone, Hythe and Tower Creek as of the date of this Agreement;

“Delphi Group” has the meaning set forth in Section 7.5;

“Delphi Options” means the outstanding options to acquire Delphi Securities granted under the stock option plan of Delphi;

“Delphi Reserves Report” has the meaning set forth in Section 7.18;

“Delphi Securities” means the common shares in the capital of Delphi;

“diluted basis” means, with respect to the number of outstanding Fairmount Shares at any time, such number of outstanding Fairmount Shares calculated assuming that all outstanding Fairmount Options and Fairmount Performance Warrants are exercised;

“Disclosure Documents” means all documents and information filed by Delphi or Fairmount, as the case may be, on SEDAR since December 31, 2008;

“Effective Time” means the time that Delphi shall have acquired ownership of and paid for at least the Minimum Required Shares pursuant to the terms of the Offer;

“Employee Obligations” means any obligations or liabilities of Fairmount or its subsidiaries to pay any amount to or on behalf of its officers, directors, consultants or employees, other than for salary, bonuses under their existing bonus arrangements, cash payments upon exercise of outstanding stock appreciation rights, vacation pay, overtime and directors’ fees in the ordinary course, in each case in amounts consistent with historic practices and, without limiting the generality of the foregoing, Employee Obligations shall include the obligations of Fairmount or its subsidiaries to directors, officers or employees for severance or termination payments pursuant to any voluntary or involuntary executive severance and termination agreements in the case of officers and pursuant to Fairmount’s severance policy in the case of

employees as set out in the severance obligation schedule dated August 10, 2009, which schedule has been provided to Delphi;

“Environmental Laws” has the meaning set forth in Section 7.14(a);

“Expiry Time” means the Initial Expiry Time unless the Offer has been extended, in which case it means the expiry time of the Offer as extended from time to time;

“Fairmount Facilities” means those gathering and compression facilities required for the gathering and compression of Petroleum Substances produced under the authority of the Leases at Fairmount’s Gold Creek property as of the date of this Agreement;

“Fairmount Group” has the meaning set forth in Section 8.4;

“Fairmount Governing Documents” means the certificate and articles of amalgamation and by-laws of Fairmount;

“Fairmount Options” means the outstanding options to acquire Fairmount Shares granted under the Stock Option Plan;

“Fairmount Performance Warrants” means the outstanding performance warrants to purchase Fairmount Shares issued to certain officers, directors, consultants and employees of Fairmount;

“Fairmount Reserves Report” has the meaning set forth in Section 8.24;

“Fairmount Shareholders” means the registered holders of Fairmount Shares from time to time;

“Fairmount Shares” means the common shares in the capital of Fairmount;

“Fairness Opinion” means the opinion of Peters & Co. Limited addressed to the board of directors of Fairmount that the consideration to be received by Fairmount Shareholders under the Offer is fair, from a financial point of view, to the Fairmount Shareholders;

“GLJ” means GLJ Petroleum Consultants Ltd.;

“Governmental Entity” means: (i) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“Initial Expiry Time” means 5:00 p.m. (Calgary time) on the first Business Day which falls after the 35th day following the Mailing Date of the Offer Documents to the shareholders of Fairmount (where the first day of this period is the day immediately following the day of mailing);

“Latest Mailing Time” has the meaning set forth in Section 2.1(a);

“Lands” means (a) with respect to Fairmount, the lands as described in a schedule dated August 18, 2009 and provided to Delphi and, except as otherwise expressly noted in that schedule, includes the Petroleum Substances within, upon or under those lands, together with the right to explore for and recover the Petroleum Substances, to the extent those rights are granted by the Leases; or (b) with respect to Delphi, the lands set forth and described in the Schedules dated August 12, 2009 and provided to Fairmount and, except as otherwise noted, includes the Petroleum Substances within, upon or under those lands, together with the right to explore for and recover the Petroleum Substances, to the extent those rights are granted by the Leases;

“Laws” means all laws, by-laws, rules, regulations, orders, rulings, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments or other requirements of any Governmental Entity, including applicable Securities Laws and the rules and regulations of any stock exchange or quotation system on which the securities of Fairmount are listed;

“Leases” means, collectively, the various leases, reservations, permits, licences, certificates and other documents of title by virtue of which the holder is entitled to explore for, drill for, recover, remove or dispose of Petroleum Substances forming part of the Lands, being (a) with respect to Fairmount, the leases, reservations, permits, licenses and other documents of title as described in a schedule dated August 18, 2009 and provided to Delphi; and (b) with respect to Delphi, the leases, reservations, permits, licenses, and other documents of title as described in the Schedules dated August 12, 2009 and provided to Fairmount;

“Liens” means any lien, mortgage, charge, hypothec, pledge, security interest, prior assignment, option, royalty, net profit interest, warrant, lease, sublease, licence, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, Fairmount’s right, title or interest in or to any particular Lands or Leases;

“Lock-up Agreements” means the agreements from each of the current directors and officers of Fairmount in the form attached hereto as Schedule B;

“Mailing Date” means the date the Offer Documents are sent to Fairmount Shareholders and all of the Persons to whom the Offer is made;

“Material Adverse Change” or **“Material Adverse Effect”** means, in respect of Fairmount or Delphi, as the case may be, any change, effect, event, occurrence or state of facts that, individually or in the aggregate, is or could reasonably be expected to be material and adverse to the financial condition, business or results of operations of the Party and its subsidiaries taken as a whole; provided that no change, effect, event, occurrence or state of facts relating to any of the following shall constitute (or be taken into account in determining the occurrence of) a Material Adverse Change or Material Adverse Effect: (i) general political, economic or financial conditions in North America; (ii) any change in credit, banking, currency, commodities or capital markets generally in North America; (iii) conditions generally affecting the oil and gas industry as a whole; (iv) changes in Laws or in the interpretation, application or non-application of Laws by Governmental Entities; (v) a matter that has prior to the date hereof been publicly disclosed or otherwise disclosed in writing to the other party; (vi) any temporary

curtailment of production at Fairmount's Gold Creek property due to third party facility constraints; or (vii) any change in trading price or trading volume of securities of Fairmount or Delphi either (A) as a direct result of this Agreement or the announcement thereof or compliance with the terms and conditions of this Agreement; or (B) as a result of a change, effect, event or occurrence excluded from the definition of Material Adverse Effect; but, in the case of each of the foregoing clauses (excluding clauses (v) and (vi)) only to the extent such matter does not have a materially disproportionate effect on Fairmount or Delphi, as the case may be, and its Subsidiaries, taken as a whole, relative to other entities operating in the oil and gas industry;

"Meeting" has the meaning set forth in Section 6.2(b);

"Minimum Condition" means the condition set forth in paragraph (a) of Schedule A;

"Minimum Required Shares" means that number of the outstanding Fairmount Shares required pursuant to the Minimum Condition unless Delphi shall have waived the Minimum Condition in which case "Minimum Required Shares" means the number of outstanding Fairmount Shares which Delphi takes up on the Take-up Date, provided that such number of Fairmount Shares shall not in any circumstance be less than a majority of the issued and outstanding Fairmount Shares on a diluted basis;

"Miscellaneous Interests" means all right, title, interest and estate of the Fairmount Group in and to all property, rights and assets, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum and Natural Gas Rights and the Tangibles), to the extent pertaining to the Petroleum and Natural Gas Rights, the Lands or lands pooled or unitized therewith and the Tangibles and to which the Fairmount Group is entitled at the Take-up Date, including the following property, rights and assets: (a) contracts, agreements, books, records and documents to the extent they relate to the Petroleum and Natural Gas Rights, the wells, the Tangibles or items listed in item (c) or (d) of this definition or any rights in relation thereto including the Title and Operating Documents and any rights of Fairmount and its affiliates in relation thereto; (b) Surface Interests; (c) all production, engineering and other information relating directly to the Petroleum and Natural Gas Rights, the Lands or the Tangibles which the Fairmount Group has in their custody or to which the Fairmount Group has access or entitlement to access from third parties, excluding any such information that is subject to confidentiality restrictions or restrictions on transferability; (d) permits, licences, approvals and other authorizations, crossing privileges or other rights pursuant to which the wells or the Tangibles are accessed, maintained or operated relating to any Petroleum and Natural Gas Rights or Tangibles, or the use thereof; and (e) the wells;

"Non-Completion Fee" has the meaning set forth in Section 4.1;

"Offer" has the meaning set forth in Section 2.1(a);

"Offer Documents" has the meaning set forth in Section 2.3(a);

"Operations" means any and all operations on or in respect of the Lands or lands pooled or unitized therewith or conducted by or for the benefit of the Fairmount Group or relating to Petroleum Substances produced therefrom or the Tangibles;

“Outside Date” has the meaning set forth in Section 13.1(i);

“Party” means Fairmount or Delphi, as applicable, and **“Parties”** means both Fairmount and Delphi together;

“Permitted Encumbrances” means: (a) the terms and conditions of the title and operating documents, including (i) any existing potential alteration of the Petroleum and Natural Gas Rights because of a payout conversion or farm-in, farm-out or other such agreement in accordance with their existing terms; and (ii) any penalties or forfeiture that applies to the Petroleum and Natural Gas Rights in accordance with their existing terms at the date hereof because of Fairmount’s election not to participate in a particular operation; (b) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric light, power, telephone or cable television towers, conduits, poles, wires or cables; (c) any rights reserved to or vested in any Governmental Entity to levy taxes or to control or regulate any of Fairmount’s assets in any manner, including, without limitation, the right to control or regulate production rates and the conduct of operations; (d) statutory exceptions to title and the reservations, limitations and conditions in any grants or transfers from the Crown of any of the Lands or interests therein; (e) undetermined or inchoate liens incurred or created in the ordinary course of business as security for Fairmount’s or Delphi’s, as the case may be, share of the costs and expenses of the development or operation of any of its assets, which costs and expenses are not delinquent as of the Expiry Time; (f) Liens granted in the ordinary course of business to a public entity, municipality, or Governmental Entity respecting operations pertaining to any of Fairmount’s assets; (g) Liens for taxes, assessments and governmental charges which are not due or delinquent or if due, the validity of which are being diligently contested in good faith; (h) the right reserved to or vested in any Governmental Entity by the terms of any lease, license, franchise, grant or permit or by any applicable Law to terminate such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof; (i) the right reserved to or vested in any governmental Entity to levy Taxes on Petroleum Substances or the income or revenue attributable thereto; (j) mechanics’, builders’, or materialmen’s Liens in respect of services rendered or goods supplied, but only insofar as such Liens relate to goods or services for which payment is not due or the validity of which is being diligently contested in good faith; (k) trust obligations incurred in the ordinary course of business that do not reduce the interests attributed to Fairmount or Delphi, as the case may be, in the Lands; (l) the burdens, encumbrances, royalties, gross overriding royalties, net profits interest, adverse claims (including reductions and conversions) and penalties set forth in materials made available to Delphi or Fairmount, as the case may be; (m) all rights of first refusal, pre-emptive purchase rights and similar rights; and (n) the terms and conditions of any credit facilities with one or more Canadian chartered banks and all related documents thereto and all security granted in relation thereto.

“Person” includes an individual, body corporate, partnership (limited or general), trust, trustee, executor or similar official, Governmental Entity or any other entity;

“Petroleum and Natural Gas Rights” means the entire right, title, estate and interest of the Fairmount Group or the Delphi Group, as the case may be, in and to the Lands, including: (a) rights whether fee simple interests, leasehold interests or other interests to drill for and produce, save and market Petroleum Substances from the Lands and to the Leases to the extent they apply

to the Lands; (b) royalties, net profits interests and similar interests entitling the holder thereof to a share of the Petroleum Substances produces from the Land or lands pooled or unitized therewith or to a payment calculated by reference to the quantity of such production, the proceeds from the sale thereof or the profits there from; and (c) the rights to acquire the foregoing;

“Petroleum Substances” means petroleum, natural gas and all related hydrocarbons, including all liquid hydrocarbons and all other mineral substances, whether liquid, solid or gaseous and whether hydrocarbons or not (except coal, but including sulphur and hydrogen sulphide), produced in association with such petroleum, natural gas or related hydrocarbons or found in any water;

“Purchase Consideration” has the meaning set forth in Section 2.1(a);

“Representatives” has the meaning set forth in Section 5.1;

“Returns” has the meaning set forth in Section 7.16(a)(ii);

“Second Stage Transaction” has the meaning set forth in Section 6.1;

“Securities Authorities” means the Toronto Stock Exchange or TSX Venture Exchange, as applicable, and the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada;

“Securities Laws” has the meaning set forth in Section 2.3(a);

“share appreciation rights” or **“SARs”** means the outstanding share appreciation rights of Fairmount;

“Stock Option Plan” means the amended and restated stock option plan of Fairmount;

“subsidiary” means, with respect to any Person: (i) any body corporate of which securities or other ownership interests having voting power to elect a majority of the board of directors (or other Persons performing similar functions) are at the time, directly or indirectly, owned by such Person; (ii) any limited liability company of which such Person, directly or indirectly, is the managing member or otherwise has the power to direct the policies, management and affairs of such company; or (iii) any other Person in which such Person, directly or indirectly, owns at least a majority of the outstanding voting interests of such other person or otherwise has the power to direct the policies, management and affairs of such Person;

“Superior Take-over Proposal” means any written, unsolicited, *bona fide* Take-over Proposal not obtained in breach of Article 5 to acquire not less than 90% of the Fairmount Shares (or not less than 90% of the assets of Fairmount on a consolidated basis) which (a) Fairmount’s board of directors determines in good faith after consultation with its outside legal counsel and financial advisors, is reasonably likely to be completed on its terms without undue delay taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by such Take-over Proposal and, (b) if consummated, would result in a transaction more favourable from a financial point of view to Fairmount Shareholders than the transaction contemplated by this Agreement (after

giving effect to any changes to the terms of this Agreement proposed by Delphi in response to such Take-over Proposal pursuant to Section 5.3); (c) is not subject to any due diligence and/or access condition extending more than 72 hours from the time that Fairmount commences providing information; and (d) exceeds the Purchase Consideration (including as such may be amended pursuant to Section 5.3) by at least 5%;

“Surface Interests” means all right, title, interest and estate of the Fairmount Group to enter upon, use, occupy and enjoy the surface of the Lands, any land with which the same have been pooled or unitized, any land upon which the wells or the Tangibles are located and any land used to gain access thereto, in each case, for purposes related to the use or ownership of the Petroleum and Natural Gas Rights or the Tangibles or the wells or Operations, whether the same are held by right of way, or otherwise;

“Take-over Proposal” means a written or verbal proposal or offer (whether binding or not) by a third party (other than Delphi) to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of Fairmount or to acquire in any manner, directly or indirectly, beneficial ownership or control or direction over more than 20% of the outstanding voting shares of Fairmount, whether by an arrangement, amalgamation, a merger, consolidation, joint venture, partnership or other business combination, by means of a sale of shares in the capital of Fairmount, tender offer or exchange offer or similar transaction involving Fairmount, including without limitation, any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of all or a material portion of the assets of Fairmount or to acquire in any manner, directly or indirectly, more than 20% of the outstanding voting shares of Fairmount (other than the transactions contemplated by this Agreement) and any public announcement of an intention to do any of the foregoing from any Person other than Delphi and its Affiliates;

“Take-up Date” means the date that Delphi first takes up Fairmount Shares pursuant to the Offer;

“Tangibles” means, collectively, all right, title, interest and estate of the Fairmount Group, whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to: (a) any gathering and compression facilities located on the Lands; (b) all other equipment systems, plants and facilities used or useful in producing Petroleum Substances from the Lands or lands pooled or unitized therewith or gathering, compressing, dehydrating, scrubbing, processing, treating, separating, extracting, collecting, refrigerating, measuring, storing, transporting or shipping such Petroleum Substances; and (c) all other tangible property and assets used or intended for use in producing, storing or injecting Petroleum Substances;

“Taxes” has the meaning set out in Section 7.16(a)(i);

“Third Party Beneficiaries” has the meaning set out in Section 11.5; and

“Title and Operating Documents” means all agreements, contracts, instruments and other documents that govern the ownership or use of the Assets or relate to Permitted Encumbrances or Operations including: (a) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created; (b) permits, licenses, approvals and authorizations; (c) operating agreements, unit agreements,

polling agreements, trust declarations, participation agreements, farm-in agreements, farm-out agreements and royalty agreements; (d) agreements that create or relate to Surface Interests; (e) transportation, processing and sale contracts; (f) gas gathering and common stream agreements; (g) agreements for the construction, ownership and/or operation of Tangibles; (h) trust declarations and other documents and instruments that evidence the Fairmount Group's interests in the Assets ; and (i) trust declarations pursuant to which the Fairmount Group holds interest in the Lands or lands pooled or unitized herewith in trust for other Persons.

1.2 Singular, Plural, etc.

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.3 Currency

All dollar references herein are to Canadian dollars.

1.4 Headings, etc.

The division of this Agreement into Articles and Sections, the provision of a table of contents and the insertion of recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement or in the Schedules to Articles, Sections and Schedules refer to Articles, Sections and Schedules of and to this Agreement or of the Schedules in which such reference is made.

1.5 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.6 Governing Law

This Agreement shall be governed by and interpreted in accordance with the Laws of Alberta and the Laws of Canada applicable therein.

1.7 Attornment

The Parties hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the Province of Alberta for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by delivery in the manner set forth in Section 14.1 shall be effective service of process for any action, suit or proceeding brought against either Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further

irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

1.8 Incorporation of Schedules

Schedules A and B attached hereto and described below shall, for all purposes hereof, form an integral part of this Agreement.

Schedule A Conditions to the Offer

Schedule B Form of Lockup Agreement for directors and officers of Fairmount

ARTICLE 2 THE OFFER

2.1 The Offer

- (a) Subject to the terms and conditions of this Agreement, Delphi shall mail to registered holders of Fairmount Shares and each holder of Fairmount Options and Fairmount Performance Warrants, as soon as practicable and in any event before 11:59 p.m. (Calgary time) on August 28, 2009 (such time or such date, or such other time and date to which the Parties may agree herein referred to as the “**Latest Mailing Time**”), an offer to purchase all of the outstanding Fairmount Shares, which includes all Fairmount Shares which may become outstanding after the date of the Offer on exercise of Fairmount Options or Fairmount Performance Warrants, on the basis of 0.3571 Delphi Securities per Fairmount Share (the “**Purchase Consideration**”) which offer shall be made in accordance with Securities Laws and be subject only to the conditions set forth in Schedule A hereto (the “**Offer**”, which term shall include any amendments or variations to, or extensions of, such Offer, including, without limitation, increasing the consideration, removing or waiving any condition (other than the Minimum Condition which shall not be waived or amended to a number less than a majority of the issued and outstanding Fairmount Shares on a diluted basis) or extending the date by which Fairmount Shares may be tendered, all in accordance with this Agreement). No fractional Delphi Securities will be issued. Any Fairmount Shareholder who would otherwise be entitled to receive a fractional Delphi Security will be entitled to receive the nearest whole number of Delphi Securities, as applicable, to which such Person is entitled. It is acknowledged and agreed that Delphi may, at its election, either: (i) allow holders of Fairmount Shares in the United States to participate in the Offer in a manner that will allow them to receive Delphi Securities in the same manner as all other holders of Fairmount Shares, if Delphi determines to its reasonable satisfaction that it may rely upon Rule 802 under the United States Securities Act of 1933, as amended, in connection with the Offer, including determining, to its reasonable satisfaction, that no more than 10% of the Fairmount Shares were beneficially owned by residents of the United States on at least one day in the period commencing 60 days prior to the public announcement of the Offer and ending 30 days after the public announcement of the Offer; or (ii) make all necessary arrangements so that

holders of the Fairmount Shares in the United States shall receive, instead of receiving any Delphi Securities, their proportionate share of the cash proceeds of the sale of the Delphi Securities to which they otherwise would have been entitled. Notwithstanding any other provision of this Agreement, Fairmount acknowledges and agrees that Delphi shall not be required to deliver Delphi Securities to holders of Fairmount Shares in any states or other jurisdictions of the United States that require registration or qualification of the Delphi Securities, provided that Delphi shall either deliver to such holders a cash payment having equivalent value to the Delphi Securities to which such holders would otherwise have been entitled, or their proportionate share of the cash proceeds of the sale of the Delphi Securities to which they would otherwise have been entitled. The Offer Documents shall be prepared in English and, if required under the applicable Securities Laws, the French language. In the event that the mailing of the Offer is delayed by reason of: (i) an injunction or order made by a Governmental Entity; (ii) Delphi not having obtained any required regulatory approval which is necessary to permit Delphi to make the Offer; or (iii) the failure by Fairmount to provide Delphi with the lists of securityholders in accordance with Section 2.3(b), then, provided such injunction or order is being contested or appealed, or such regulatory approval is being actively sought, or Fairmount is making good faith efforts to obtain such lists, as applicable, then the Latest Mailing Time shall be extended for a period ending on the earlier of the date which is 30 days from the date of this Agreement and the fifth Business Day following the date on which such injunction or order ceases to be in effect or such waiver, consent or approval or lists are obtained and delivered to Delphi, as applicable.

- (b) Delphi may make the Offer itself or through one or more direct or indirect wholly-owned subsidiaries, or any combination thereof. In the event that any of those entities makes or participates in the making of the Offer, the term “**Delphi**” as used herein shall include all of those entities, other than in Article 7 where the term Delphi shall not include such entities, but Delphi shall continue to be liable to Fairmount for any default by any such entity in the performance of any of Delphi’s obligations hereunder.
- (c) The Offer shall expire on the Initial Expiry Time, except that the Offer may be extended by Delphi in accordance with the provisions of Section 2.1(e) if the conditions thereto set forth in Schedule A are not satisfied or waived on or by the date and time at which the Offer would otherwise expire. In the event that any regulatory approval, order, notice, consent or waiting period contemplated by paragraph (b) of Schedule A is not obtained or has not expired, as applicable, prior to the time that the Offer is scheduled to expire, unless such approval has been expressly denied by a non-appealable decision of a Governmental Entity, Delphi will extend the Offer for successive period, each of not less than 10 days past the Initial Expiry Time or the Expiry Time, as the case may be, pending receipt of such approval; provided that Delphi shall not be required to make any extensions which would exceed the Outside Date.
- (d) Subject to the satisfaction or waiver of the conditions set forth in Schedule A, Delphi shall as soon as possible and in any event within three Business Days of

the Expiry Time, take-up and pay for all Fairmount Shares validly deposited (and not properly withdrawn) pursuant to the Offer.

- (e) It is agreed that Delphi may, in its sole discretion:
 - (i) waive any term or condition of the Offer for its benefit provided that if Delphi takes up and pays for any Fairmount Shares, it shall acquire not less than the Minimum Required Shares; or
 - (ii) vary any term or condition of the Offer, provided that Delphi shall not without the prior written consent of Fairmount: (A) reduce the number of Fairmount Shares for which the Offer is made; (B) decrease or change the form of the consideration to be paid for each Fairmount Share; (C) reduce the Minimum Condition below the Minimum Required Shares; or (D) amend the Offer or modify the conditions to the Offer in a manner that is, in either case, materially adverse to the holders of Fairmount Shares, provided that a waiver, in whole or in part, of any condition of the Offer (other than a reduction of the Minimum Condition below the Minimum Required Shares) or an extension of the Offer shall not constitute an amendment of the Offer or a modification of the conditions to the Offer that is, in either case, materially adverse to the holders of Fairmount Shares;
- (f) The obligation of Delphi to make the Offer shall be conditional upon the following:
 - (i) this Agreement has not been terminated pursuant to Section 13.1:
 - (ii) no Material Adverse Change with respect to Fairmount shall have occurred, and no other event shall have occurred or circumstance shall exist which would, in the sole judgement of Delphi, acting reasonably, make it impossible or impractical to satisfy one or more of the conditions of the Offer described in Schedule A;
 - (iii) as at the date that the Offer is to be made:
 - A. Fairmount shall not have breached, or failed to comply with, any of its covenants or obligations under this Agreement; and
 - B. no representation or warranty of Fairmount contained in this Agreement shall have become inaccurate (and for the purposes of this Section 2.1(f)(iii)(B) all representations and warranties shall be read as if none of them contained any Material Adverse Change, Material Adverse Effect or other materiality qualification) except for such inaccuracies which individually or collectively shall not have caused or could not reasonably be expected to cause a Material Adverse Change or otherwise prevent or materially delay the completion of the Offer beyond the Outside Date,

- (iv) the board of directors of Fairmount shall not have withdrawn, qualified, modified or changed any of its recommendations, approvals, resolutions, or determinations referred to in Section 2.2;
- (v) the board of directors of Fairmount shall have prepared and by unanimous vote approved in final form and printed for distribution and delivered to Delphi for mailing with the Offer Documents, the directors' circular referred to in Section 2.2 and such directors' circular shall be in a form and content, satisfactory to Delphi, acting reasonably;
- (vi) Fairmount shall have provided Delphi with lists of registered holders of Fairmount Shares and the names and addresses of all holders of Fairmount Options and Fairmount Performance Warrants in accordance with Section 2.3.
- (vii) no cease trade order, injunction or other prohibition from a Governmental Entity having jurisdiction over the Offeror shall exist against the Offeror making the Offer, mailing the Offer Documents or the taking up or paying for Shares deposited under the Offer; and
- (viii) the due execution and delivery to Delphi, concurrently with execution of this Agreement, of the Lock-up Agreements from all of the current directors and officers of Fairmount, which Lock-up Agreements shall not have been breached in any material respect or terminated by any directors or officers.

The foregoing conditions set forth in this Section 2.1(f) are for the exclusive benefit of Delphi and may be waived by Delphi, in whole or in part, in its sole discretion, at any time and from time to time.

2.2 Fairmount Directors' Circular

- (a) Fairmount hereby consents to the Offer and represents and warrants to Delphi that its board of directors has received an opinion from Peters & Co. Limited, dated as of the date of this Agreement, and to the effect that, as of such date and subject to the assumptions and considerations set forth therein, the consideration to be received by the holders of Fairmount Shares is fair, from a financial point of view, to such holders and, after consultation with its legal and financial advisors, has determined: (i) the Offer is fair, from a financial point of view, to the holders of Fairmount Shares and is in the best interests of Fairmount and the holders of Fairmount Shares; and (ii) to unanimously recommend acceptance of the Offer by the holders of Fairmount Shares, subject to Section 5.3, provided that the Offer does not differ in any material respect from the Offer contemplated by this Agreement, as amended, if applicable, in accordance with the terms of this Agreement. Subject to the provisions contained herein, Fairmount covenants to cooperate with Delphi and to take all reasonable action to support the Offer. Fairmount hereby covenants and agrees that it may only withdraw, modify or

change its recommendation with respect to the Offer as permitted under Section 5.3, or in the event of termination of this Agreement under Section 13.1.

- (b) Provided Delphi has made the Offer in accordance with this Agreement, Fairmount shall prepare and file a directors' circular in accordance with Securities Laws. The directors' circular will set forth (among other things) the unanimous recommendation of the board of directors of Fairmount as described above. Fairmount shall provide Delphi with a draft copy of the directors' circular prior to mailing and shall provide Delphi with a reasonable opportunity to review and provide any comments thereon, recognizing that whether or not such comments are appropriate will be determined by Fairmount, acting reasonably. Fairmount shall mail the directors' circular on the same date that Delphi mails a take-over bid circular respecting the Offer to the holders of Fairmount Shares and Fairmount shall include the directors' circular in the same package as the Offer Documents. The directors' circular shall disclose the obligations of directors and officers to deposit their respective Fairmount Shares pursuant to the Offer.

2.3 Offer Documents

- (a) Within the time periods required by law, Delphi shall file or cause to be filed with the appropriate Securities Authorities an offer to purchase and take-over bid circular and the related letter of transmittal and notice of guaranteed delivery pursuant to which the Offer will be made (collectively, the "**Offer Documents**"). Delphi shall provide Fairmount with a draft copy of the Offer Documents prior to mailing and shall provide Fairmount with a reasonable opportunity to review and provide any comments thereon, recognizing that whether or not such comments are appropriate will be determined by Delphi, acting reasonably. The Offer Documents and any amendments and supplements thereto, when filed with Securities Authorities and when mailed to holders of Fairmount Shares, Fairmount Options and Fairmount Performance Warrants shall contain all information which is required to be included therein in accordance with the Act and any applicable Canadian provincial securities laws, and any other applicable securities laws (collectively, the "**Securities Laws**") and the terms of the Offer contemplated by the Offer Documents shall comply with this Agreement.
- (b) Fairmount agrees to provide such reasonable assistance as Delphi or its agents may reasonably request in connection with communicating the Offer Documents (and any amendments and supplements thereto) to the holders of the Fairmount Shares and to such other Persons as are entitled to receive the Offer Documents under Securities Laws, including using its commercially reasonable efforts to provide or cause to be provided lists of the holders of Fairmount Shares (including depository participant break-out lists) and of the holders of Fairmount Options and Fairmount Performance Warrants and other securities convertible into or exchangeable for, or other rights to acquire, Fairmount Shares (to the extent known by Fairmount) including names, addresses and numbers of Fairmount Shares or such other securities as soon as possible after the date of this Agreement but in any event within three Business Days following the execution and delivery of this Agreement (as well as providing mailing labels) and updates

or supplements thereto from time to time as may be requested reasonably by Delphi.

2.4 Stock Options

- (a) Delphi acknowledges that the consummation of the transactions contemplated by this Agreement will result in a business combination or change of control for purposes of section 11 of the Stock Option Plan and section 5 of the applicable stock option agreements and that all awards pursuant to the Stock Option Plan will be accelerated thereunder and, in that regard, Delphi acknowledges that:
 - (i) all Fairmount Options shall be vested so as to permit exercise on or before the Effective Time;
 - (ii) holders of Fairmount Options may, prior to the Effective Time, elect to exercise all of such securities, upon payment to Fairmount of the exercise price therefor and receive Fairmount Shares in respect of the number of Fairmount Options; and
 - (iii) holders of Fairmount Options may, prior to the Effective Time, elect to surrender their Fairmount Options unexercised to Fairmount in exchange for an equity appreciation right in accordance with Section 6(b) of their applicable stock option agreement and exercise such right to receive Fairmount Shares prior to the Effective Time.
- (b) Fairmount agrees to use its reasonable commercial efforts to ensure all Persons holding Fairmount Options exercise those securities and tender all Fairmount Shares issued in connection therewith to the Offer, or terminate or otherwise surrender their rights to exercise any of those securities, prior to the Expiry Time.
- (c) It is agreed by Delphi that all Fairmount Options (including equity appreciation rights issued in exchange therefor) which have been tendered to Fairmount for exercise, conditional on Delphi taking up Fairmount Shares under the Offer (“**Conditional Exercise**”) shall be deemed to have been exercised concurrently with the take-up of Fairmount Shares by Delphi. Furthermore, Delphi shall accept as validly tendered under the Offer as of the Take-up Date all Fairmount Shares which are to be issued pursuant to the Conditional Exercise, provided that the holders of such options indicate that such shares are tendered pursuant to the Offer. Delphi agrees that Fairmount may enter into arrangements satisfactory to Delphi with holders of Fairmount Options to facilitate the Conditional Exercise.
- (d) Delphi agrees to cooperate with Fairmount to facilitate the exercise of Fairmount Options and the deposit of all Fairmount Shares issued in connection therewith prior to the Expiry Time pursuant to the Offer.

2.5 Performance Warrants

- (a) Delphi acknowledges that the consummation of the transactions contemplated by this Agreement will result in a change of control for purposes of Section 4(b) of

the applicable performance warrant certificates and all Fairmount Performance Warrants will be accelerated by the board of directors of Fairmount and, in that regard, Delphi acknowledges that:

- (i) all Fairmount Performance Warrants shall be vested so as to permit exercise on or before the Effective Time; and
 - (ii) holders of Fairmount Performance Warrants may, prior to the Effective Time, elect to exercise all of such securities, upon payment to Fairmount of the exercise price therefor and receive Fairmount Shares in respect of the number of Fairmount Performance Warrants.
- (b) Fairmount agrees to use its reasonable commercial efforts to ensure all Persons holding Fairmount Performance Warrants exercise those securities and tender all Fairmount Shares issued in connection therewith to the Offer, or terminate or otherwise surrender their rights to exercise any of those securities, prior to the Expiry Time.
- (c) It is agreed by Delphi that Fairmount Performance Warrants may be Conditionally Exercised by the holders and upon Conditional Exercise, such Fairmount Performance Warrants shall be deemed to have been exercised concurrently with the take-up of Fairmount Shares by Delphi. Furthermore, Delphi shall accept as validly tendered under the Offer as of the Take-up Date all Fairmount Shares which are to be issued pursuant to the Conditional Exercise of Fairmount Performance Warrants, provided that the holders of such warrants indicate that such shares are tendered pursuant to the Offer. Delphi agrees that Fairmount may enter into arrangements satisfactory to Delphi, with holders of Fairmount Performance Warrants to facilitate the Conditional Exercise of such Fairmount Performance Warrants.
- (d) Delphi agrees to cooperate with Fairmount to facilitate the exercise of Fairmount Performance Warrants and the deposit of all Fairmount Shares issued in connection therewith prior to the Expiry Time pursuant to the Offer.

ARTICLE 3

PUBLICITY AND SOLICITATION

3.1 Publicity

Fairmount and Delphi shall issue a joint press release, which shall be in a mutually agreed form, each Party acting reasonably, as soon as practicable after the signing of this Agreement. Fairmount shall file or cause to be filed, where required, a copy of its press release and a material change report with the Securities Authorities having jurisdiction over Fairmount as soon as possible after the issuance of its press release (and in any event within the time periods set out in applicable Securities Laws).

Each of Delphi and Fairmount shall receive the prior consent, not to be unreasonably withheld, of the other Party prior to issuing or holding, or permitting any of its subsidiaries (if

applicable), directors, officers, employees or agents to issue or hold, any press release or other written statement to the press or any press conference or other public communication with respect to this Agreement or the transactions contemplated hereby other than the press releases provided for in the first paragraph of this Section 3.1. Delphi and Fairmount may issue a press release or other written statement prior to such consent on the advice of counsel that such action is required by applicable law or by obligations pursuant to any listing agreement with a stock exchange, but only after using its commercially reasonable efforts to consult the other Party taking into account the time constraints to which it is subject as a result of such law or obligation.

3.2 Solicitation

Delphi may appoint an agent to act as soliciting dealer, dealer manager or information agent (the “**Dealer Manager**”) in connection with the Offer and to solicit acceptances of the Offer. The Dealer Manager may, if appointed, form a soliciting dealer group comprised of members of the Investment Dealers Association of Canada to solicit acceptances of the Offer at the Offeror’s expense.

ARTICLE 4 ARRANGEMENTS RESPECTING FEES

4.1 Non-Completion Fee

If at any time after the date of this Agreement (and provided there is no material breach or non-performance by Delphi of a material provision of this Agreement in any respect):

- (a) the board of directors of Fairmount shall or shall resolve to: (1) fail to make any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2; or (2) withdraw, qualify, modify or change any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2 in a manner adverse to Delphi; (3) fail to publicly reaffirm its recommendation of the Offer within 10 days of the public announcement or commencement of another Take-over Proposal (or if the Offer is scheduled to expire prior to the end of such 10 day period, as soon as practicable and in any event prior to the scheduled expiry of the Offer) or the intention to make or propose any Take-over Proposal; or
- (b) the board of directors of Fairmount shall recommend or propose publicly to recommend that holders of Fairmount Shares deposit their Fairmount Shares under, vote in favour of or otherwise accept, a Take-over Proposal or shall resolve to do so; or
- (c) this Agreement is terminated by Fairmount pursuant to Section 13.1(g) in order to permit Fairmount to enter into an agreement with any Person in respect of a Superior Take-over Proposal (other than a confidentiality agreement referred to in Section 5.2(c));

- (d) Fairmount or its Representatives breaches in any material respect the provisions of Article 5; or
- (e) a Take-over Proposal is publicly announced or is publicly proposed, offered or made to the shareholders of Fairmount prior to the Expiry Time, and at the Expiry Time all of the conditions to the Offer, except for the Minimum Condition, have been satisfied or waived and such Take-over Proposal (as originally proposed or amended) is completed within nine months of the Expiry Time;

then Fairmount shall, upon the occurrence of any such event and in any event within two Business Days pay as liquidated damages the amount of \$400,000 (the “**Non-Completion Fee**”) to Delphi. On the date of the earliest such event, Fairmount shall be deemed to hold such sum in trust for Delphi. Such payment shall be made in immediately available funds to an account designated by Delphi. For greater certainty, only one such Non-Completion Fee shall be payable by Fairmount pursuant to this Section 4.1 and the obligation of Fairmount under this Section 4.1 shall survive termination of this Agreement, regardless of the circumstances thereof.

4.2 Liquidated Damages

Delphi acknowledges that the Non-Completion Fee set out in Section 4.1 is a payment of liquidated damages which is a genuine pre-estimate of the damages which Delphi will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Fairmount irrevocably waives any right it may have to raise a defence that any such liquidated damages are excessive or punitive. Delphi agrees that the payment of the amount pursuant to Section 4.1 is the sole monetary remedy of Delphi in respect of the events giving rise to the payment of the Non-Completion Fee. Nothing herein shall preclude any Party from seeking specific performance, injunctive or other equitable relief to enforce or cause the enforcement of this Agreement or the Confidentiality Agreement, without the necessity of posting bond or security in connection therewith. In the event of fraud, wilful breach or intentional misrepresentation, then Fairmount shall not be entitled to rely on this Section 4.2 to limit or reduce any liability or damages which may be awarded pursuant to any action, suit or proceeding which may arise or be obtained, as the case may be, in connection with such fraud, wilful breach or intentional misrepresentation.

ARTICLE 5 NO SOLICITATION

5.1 Cease Existing Discussions

Fairmount shall immediately cease and cause to be terminated all existing discussions, solicitations, initiations, encouragements and negotiations, if any, with any parties (other than Delphi or its affiliates) conducted on or before the date of this Agreement by Fairmount or its officers, directors, employees, financial advisors, legal counsel, representatives or agents (“**Representatives**”) with respect to any actual or potential Take-over Proposal. Fairmount shall not release any third party from any confidentiality or standstill agreement to which Fairmount and such third party is a party or amend any of the foregoing. Fairmount shall promptly and in any event within two Business Days following the entering into of this Agreement send a letter to all parties who have entered into confidentiality agreements with Fairmount pertaining to any

actual or potential Take-over Proposal and shall use commercially reasonable efforts to have all materials provided to such parties by Fairmount, or prepared by such parties in respect of Fairmount, destroyed or returned to Fairmount or its Representatives as the case may be in accordance with the terms of the confidentiality agreements with such parties. Fairmount shall promptly advise Delphi orally and in writing of any response or action (actual, anticipated, contemplated or threatened) by any recipient of such letter which could hinder, prevent or delay or otherwise adversely affect the completion of the Offer.

5.2 Covenants Regarding Non-Solicitation

- (a) On and after the date of this Agreement, except as expressly contemplated in this Article 5, Fairmount shall not, directly or indirectly, through any of its Representatives or otherwise:
 - (i) solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiries or proposals regarding a Take-over Proposal or potential Take-over Proposal;
 - (ii) participate in any negotiations or discussions regarding, or provide any confidential information with respect to or otherwise cooperate in any way with, any Take-over Proposal or potential Take-over Proposal;
 - (iii) withdraw, modify, qualify or change or propose publicly to withdraw, modify, qualify or change, in any manner adverse to Delphi, the approval or recommendation of the board of directors of Fairmount of this Agreement or the Offer;
 - (iv) approve or recommend any Take-over Proposal or potential Take-over Proposal; or
 - (v) cause Fairmount to enter into any agreement related to any Take-over Proposal or potential Take-over Proposal;

provided, however, that notwithstanding the preceding part of this Section 5.2(a):

- (vi) nothing shall prevent the board of directors of Fairmount from considering or participating in discussions or negotiations in respect of or responding to an unsolicited *bona fide* Take-over Proposal from any Person (but, subject to Section 5.3, not approve, recommend, accept or enter into any agreement, arrangement or understanding with respect to such Take-over Proposal), provided that: (A) the board of directors of Fairmount determines in good faith, after consultation with financial and outside legal advisors, that the Take-over Proposal is a Superior Take-over Proposal; (B) the board of directors of Fairmount after consultation with outside legal advisors, determines in good faith it is consistent with its fiduciary duties for the board of directors of Fairmount to take such action; and (C) prior to entering into discussions or negotiations with or

responding to any Person regarding the Superior Take-over Proposal, Fairmount notifies Delphi of its determination that such Take-over Proposal constitutes a Superior Take-over Proposal.

- (b) Promptly, and in any event within one Business Day after the receipt by Fairmount or by its Representatives of any Take-over Proposal or proposal, inquiry or offer that could reasonably be expected to lead to a Take-over Proposal or any amendments to such Take-over Proposal, or any request for non-public information relating to Fairmount or any subsidiary, Fairmount shall notify Delphi at first orally and then in writing of any such circumstance. Any such notice shall include such information as is then available to Fairmount including, as applicable, the identity of the Person making the Take-over Proposal or inquiry and a description of the terms and conditions of any such Take-over Proposal or amendment or inquiry (including a copy thereof). Fairmount shall keep Delphi reasonably informed of any changes to the terms of any such Take-over Proposal and any changes to the nature of any such inquiry.
- (c) If Fairmount receives a request for material non-public information from a Person who proposes a Take-over Proposal in respect of Fairmount (the existence and content of which have been disclosed to Delphi as set forth herein), and the board of directors of Fairmount determines that such proposal is a Superior Take-over Proposal pursuant to Section 5.2(a) then, and only in such case, the board of directors of Fairmount may, subject to the execution of a confidentiality agreement on terms no less restrictive than those contained in the Confidentiality Agreement (except that it may permit the party to make the Superior Take-over Proposal), provide such Person with access to information regarding Fairmount; provided however, that Delphi is provided with a list of, and access to, the information, if any, provided to such Person that was not previously provided to Delphi.
- (d) Fairmount shall ensure that its Representatives are aware of the provisions of this Section 5.2, and it shall be responsible for any breach of this Section 5.2 by its Representatives.

5.3 Right to Match

- (i) In the event that the board of directors of Fairmount determines that it has received a Superior Take-over Proposal, Fairmount will immediately provide Delphi with a copy of the Superior Take-over Proposal (which shall identify the Person making the Superior Take-over Proposal and the terms thereof) (the date that the Offeror receives such notice being the “**Notice Date**”). Delphi may, but is not required to during the five day period after the Notice Date, offer in writing to amend the terms of this Agreement. Until the Final Resolution Date, Fairmount agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Take-over Proposal and shall not withdraw, qualify, modify or change its recommendation in respect of the Offer, or resolve or propose publicly to do any of the foregoing. For the purposes of the

foregoing sentence, the “**Final Resolution Date**” means: (a) the end of the five day period referred to above in this Section 5.3, if Delphi does not submit an amended Offer or (b) if Delphi submits an amended Offer, the date that the board of directors of Fairmount determines that the Superior Take-over Proposal would nonetheless remain a Superior Take-over Proposal and Fairmount has rejected the amended Offer.

- (ii) If the board of directors of Fairmount: (i) determines, after receiving the amended Offer from Delphi, that the Superior Take-over Proposal would thereby cease to be a Superior Take-over Proposal, Fairmount will enter into an amendment to this Agreement reflecting the amended Offer; or (ii) determines that the Superior Take-over Proposal would nonetheless remain a Superior Take-over Proposal (or if Delphi fails to make an amended Offer in the period provided for in Section 5.3(a)), Fairmount shall be entitled to terminate this Agreement and enter into an agreement in respect of the Superior Take-over Proposal or withdraw, modify, qualify or change its recommendation concerning the Offer and recommend the Superior Take-over Proposal, as applicable provided that Fairmount has, in advance of taking any such action, paid or made arrangements satisfactory to Delphi to pay Delphi the Non-Completion Fee provided in Section 4.1.
- (iii) Each successive amendment to any Take-over Proposal that results in an increase in, or modification of, the consideration to be received by holders of Fairmount Shares shall constitute a new Take-over Proposal for the purposes of this Section 5.3 and Delphi shall be afforded a new 5 day period and the rights afforded in this Section 5.3 in respect of each such Take-over Proposal.
- (iv) Fairmount shall reaffirm its recommendation of the Offer (as may be amended, if applicable) by press release promptly after any Take-over Proposal which is publicly announced and determined not to be a Superior Take-over Proposal. Delphi and its legal counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release.

5.4 Compliance with Disclosure Obligations

Nothing contained in this Article 5 shall prohibit Fairmount from complying with applicable Securities Laws including, without limitation, making any disclosures or taking any actions that may be required under applicable Securities Laws or may be necessary in order for the Fairmount board of directors to act in a manner consistent with its fiduciary obligations, or complying with applicable provisions under Securities Laws relating to the provision of directors’ circulars and making appropriate disclosures therein to Fairmount Shareholders.

ARTICLE 6

TRANSACTIONS FOLLOWING COMPLETION OF THE OFFER

6.1 Second Stage Transaction

If Delphi takes up and pays for, or otherwise acquires, directly or indirectly at least the Minimum Required Shares pursuant to the terms of the Offer, Delphi agrees to use all commercially reasonable efforts to acquire, and Fairmount agrees to use all commercially reasonable efforts to assist Delphi in acquiring, the balance of the Fairmount Shares as soon as practicable and in any event within a period of six months following the Take-up Date by way of a statutory arrangement, amalgamation, reorganization, consolidation, recapitalization or other type of acquisition transaction or transactions (each a **“Second Stage Transaction”**) carried out for a consideration per Fairmount Share not less than the Purchase Consideration paid pursuant to the Offer. Nothing herein shall be construed to prevent Delphi from acquiring, directly or indirectly, additional Fairmount Shares in the open market or in privately negotiated transactions or otherwise, in accordance with Securities Laws (including by way of compulsory acquisition) following the successful completion of the Offer.

6.2 Fairmount Board of Directors

- (a) The board of directors of Fairmount within 24 hours following the Effective Time, shall, if requested by Delphi, be reconstituted through resignations of all existing Fairmount directors and the appointment of Delphi nominees in their stead. Fairmount shall, in accordance with the foregoing and subject to the provisions of the Act, assist Delphi to obtain the resignations of all Fairmount directors (and shall provide directors with mutual releases) to be effective at such time as may be required by Delphi and to use its reasonable efforts to cause the appointment of Delphi nominees to fill the vacancies so created in order to effect the foregoing reconstitution of the board of directors without the necessity of a shareholder meeting.
- (b) In the event that the Take-up Date occurs prior to the next annual general meeting of Fairmount Shareholders (the **“Meeting”**), Fairmount covenants and agrees:
 - (i) if requested by Delphi, to postpone the Meeting for such period of time as would entitle Delphi to vote the Fairmount Shares taken up under the Offer at the Meeting;
 - (ii) to propose the nominees requested by Delphi for election to the Fairmount board of directors at the Meeting instead of the Fairmount nominees, and
 - (iii) to disclose the foregoing obligations of Fairmount in the proxy materials relating to the Meeting.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF DELPHI

Delphi hereby represents and warrants to Fairmount as follows and acknowledges that Fairmount is relying upon these representations and warranties in connection with the entering into of this Agreement:

7.1 Organization and Qualification

Delphi is a corporation validly existing under the laws of the Province of Alberta and has the requisite power and authority to carry on its business as it is now being conducted. Delphi is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Delphi on a consolidated basis.

7.2 Organization and Qualification of Subsidiaries

Each of the subsidiaries of Delphi is a corporation duly formed and organized and validly existing under the Laws of its jurisdiction of formation and has the requisite power and authority to own its properties and conduct its business as now owned and conducted. Each of the subsidiaries of Delphi is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Delphi on a consolidated basis.

7.3 Authority Relative to this Agreement

Delphi has the requisite authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Delphi of the transactions contemplated hereby have been duly authorized by the board of directors of Delphi and no other corporate proceedings on the part of Delphi are or will be necessary to authorize this Agreement and the transactions and documentation (including the Offer Documents) contemplated hereby. This Agreement has been duly executed and delivered by Delphi and constitutes the legal, valid and binding obligation of Delphi enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally, and to general principles of equity.

7.4 Purchase Consideration

Delphi has full corporate power and authority to issue Delphi Securities, and at the Effective Time, Delphi Securities will be validly issued as fully paid and non-assessable.

7.5 Subsidiaries

Delphi has no wholly-owned subsidiaries, other than Delphi Energy Ltd. and Delphi Energy Partnership (collectively, with Delphi, the “**Delphi Group**”) and Delphi owns, directly or indirectly, 100% of the outstanding securities of the subsidiary. All of the outstanding shares in the subsidiaries of Delphi are duly authorized, validly issued, fully paid and non-assessable, and all such shares held directly or indirectly by Delphi, are owned by Delphi free and clear of all encumbrances, except pursuant to restrictions on transfer contained in the articles of such subsidiary.

7.6 No Violations

- (a) None of the execution and delivery of this Agreement by Delphi, the consummation of the transactions contemplated hereby or compliance by Delphi with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Delphi or any of its subsidiaries under, any of the terms, conditions or provisions of: (y) the articles and by-laws of Delphi, as amended; or (z) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Delphi or any of its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Delphi or any of its subsidiaries is bound; (ii) subject to compliance with the statutes and regulations referred to in Section 7.6(b), violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Delphi or any of its subsidiaries (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on the ability of Delphi to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on the ability of Delphi to consummate the transactions contemplated hereby.
- (b) Other than compliance with the provisions of Securities Laws and the rules of the Toronto Stock Exchange: (i) there is no legal impediment to Delphi's consummation of the transactions contemplated by this Agreement; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Delphi in connection with the making or the consummation of the Offer, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect on the ability of Delphi to consummate the transactions contemplated hereby.

7.7 Litigation etc.

There is no claim, action, inquiry, suit, hearing, arbitration, investigation or other proceeding currently outstanding or, to the knowledge of Delphi, pending or threatened against or relating to the Delphi Group or affecting any of its properties or assets before any Governmental Entity, nor is the Delphi Group subject to any outstanding order, writ, injunction or decree that, either individually or in the aggregate, is reasonably likely to prevent or materially delay consummation of the transactions contemplated by this Agreement.

7.8 Capitalization of Delphi

As of the date hereof, the authorized share capital of Delphi consists of an unlimited number of common shares and an unlimited number of preferred shares. As of the date hereof, 79,067,158 common shares and no preferred shares are issued and outstanding. As of the date hereof, 7,234,000 common shares are issuable pursuant to the exercise of outstanding Delphi Options. Except as set forth in the immediately preceding sentence, as of the date hereof, there are no options, puts, calls, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Delphi of any securities of Delphi (including Delphi Securities) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Delphi (including Delphi Securities), other than as specifically communicated in writing to Fairmount, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Delphi. All outstanding Delphi Securities have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Delphi Securities issuable upon exercise of outstanding Delphi Options in accordance with their respective terms will be duly authorized and validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights.

7.9 No Material Adverse Change

Other than as specifically communicated in writing to Fairmount, since December 31, 2008, no Material Adverse Change has occurred that has not been publicly disclosed.

7.10 No Undisclosed Material Liabilities

Except: (a) as disclosed or reflected in the audited annual consolidated financial statements of Delphi as at December 31, 2008; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business and consistent with past practice since December 31, 2008; (ii) pursuant to the terms of this Agreement; (iii) publicly disclosed on SEDAR prior to the date hereof, Delphi has not incurred any material liabilities of any nature, whether accrued, contingent or otherwise, whether or not such liabilities would be required by generally accepted accounting principles applicable in Canada to be reflected on a consolidated balance sheet of Delphi as of the date hereof.

7.11 Conduct of Business

Except as disclosed in the public documents of Delphi filed pursuant to Securities Laws or contemplated herein or would not have a Material Adverse Effect, Delphi has conducted and is conducting its business substantially in accordance with good oilfield and environmental practices and in compliance in all material respects with all applicable Laws in each jurisdiction in which it carries on business.

7.12 Reports

- (a) The Disclosure Documents were, as of their respective dates, in compliance in all material respects with applicable Securities Laws and did not, when filed, contain a “misrepresentation” within the meaning of applicable Securities Laws.
- (b) Delphi will during the term of this Agreement deliver to Fairmount as soon as they become available true and complete copies of any report or statement filed by it with Securities Authorities subsequent to the date hereof. As of their respective dates, such reports and statements: (i) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and (ii) will comply in all material respects with all applicable requirements of law including Securities Laws. The financial statements of Delphi issued by Delphi or to be included in such reports and statements will be prepared in accordance with generally accepted accounting principles in Canada (except: (A) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Delphi’s auditors; or (B) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present fairly the financial position, results of operations and changes in financial position of Delphi as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

7.13 Books and Records

The corporate records and minute books of Delphi Group have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects, except for minutes of meetings of the directors of Delphi and committees thereof on or after July 21, 2009, which have been prepared, but not yet approved. All such corporate records and minute books of Delphi Group have been provided to Fairmount.

7.14 Environmental

To the knowledge of Delphi and except as would not reasonably be expected to have a Material Adverse Effect:

- (a) Delphi Group is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees, ordinances or regulatory approvals with respect to environmental, health or safety matters (collectively, “**Environmental Laws**”);
- (b) each member of Delphi Group has operated its business at all times and has generated, received, handled, used, stored, treated, shipped, recycled and disposed of all contaminants in compliance with Environmental Laws;

- (c) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes within Delphi Group's ownership, possession or control, other than those which have been or are in the process of being rectified in compliance with Environmental Laws, on any of the real property owned or leased by Delphi Group;
- (d) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes, within Delphi Group's ownership, possession or control, into the earth, air or into any body of water or any municipal or other sewer or drain water systems by any member of Delphi Group;
- (e) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Delphi Group other than abandonment and reclamation orders, directions or notices issued with the normal course of business; and
- (f) each member of Delphi Group, as of the date hereof, holds all licenses, permits and regulatory approvals required under any Environmental Laws in connection with the operation of its business as presently conducted and the ownership and use of its assets and all such licenses, permits and regulatory approvals are in full force and effect.

7.15 Insurance

Policies of insurance in force as of the date hereof naming Delphi as an insured provide terms and coverage comparable to those that are customarily carried and insured against by owners of comparable business, properties and assets. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Offer.

7.16 Tax Matters

- (a) Tax Definitions. For purposes of this Agreement, the following definitions shall apply:
 - (i) The term “**Taxes**” shall mean all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Governmental Entity, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), capital, payroll and employee withholding taxes, employment insurance, social insurance taxes, sales and use taxes, ad valorem taxes, value added taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, insurance taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges,

and other obligations of the same or of a similar nature to any of the foregoing, which Delphi is required to pay, withhold or collect.

- (ii) The term “**Returns**” shall mean all reports, estimates, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with, any Taxes.
- (b) **Returns Filed and Taxes Paid.** All Returns required to be filed by or on behalf of Delphi Group have been duly filed on a timely basis and such Returns are true, complete and correct in all material respects. All Taxes shown to be payable on the Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Delphi’s financial statements, and no other Taxes are payable by Delphi Group with respect to items or periods covered by such Returns.
- (c) **Tax Reserves.** For the year ended December 31, 2008, Delphi Group has paid all applicable Taxes or Delphi has provided adequate accruals in its audited financial statements for the year ended December 31, 2008 for all such unpaid Taxes. The audited financial statements for the year ended December 31, 2008 disclose all future income taxes in conformity with generally accepted accounting principles applicable in Canada.
- (d) **Returns Furnished.** For the year ended December 31, 2008, Fairmount has been furnished by Delphi with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, or agreements relating to Taxes; and (ii) all separate federal, provincial, state, local or foreign income or franchise Returns for Delphi Group.
- (e) **Tax Deficiencies, Audits, Statutes of Limitations.** Except as has been specifically communicated in writing to Fairmount, no material deficiencies exist or have been asserted with respect to Taxes of Delphi Group. Delphi Group is not party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Delphi Group or any of its assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of Delphi Group. The Delphi Group flow-through expenditures are currently under audit with the Canada Revenue Agency.

7.17 Reporting Issuer Status

Delphi is a “reporting issuer” in compliance in all material respects with all applicable Securities Laws and the rules and policies of the Toronto Stock Exchange and Delphi Securities are only listed on the Toronto Stock Exchange.

7.18 Engineering Reports

Delphi has made available to GLJ prior to the issuance of their report dated March 17, 2009 effective December 31, 2008 (the “**Delphi Reserves Report**”), for purpose of preparing such reports, all information requested by GLJ, which information did not, at the time such

information was provided, contain any material misrepresentation. Delphi reasonably believes that Delphi Reserves Report reasonably presents the quantity and pre-tax present values of estimated oil and gas reserves of Delphi evaluated therein based upon information available at the time Delphi Reserves Report was prepared and the assumptions as to commodity prices and costs contained therein.

7.19 Title

Although it does not warrant title to its Petroleum and Natural Gas Rights, except for Permitted Encumbrances, its Petroleum and Natural Gas Rights are free and clear of all liens, adverse claims, charges and encumbrances created by, through or under Delphi or its Affiliates.

7.20 No Reduction of Interests

Other than the Permitted Encumbrances and except as reflected in the Delphi Reserves Report, none of the Petroleum and Natural Gas Rights are subject to reduction by reference to payout or of production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under the Delphi Group except to the extent that such reduction or change to an interest would not in the aggregate have a Material Adverse Effect.

7.21 Production Penalties

As of the date hereof, none of Delphi Group has received notice of any production penalty or similar production restriction of any nature imposed by any Governmental Entity, including gas-oil ratio, off-target and overproduction penalties imposed by any Governmental Entity and to its knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not in the aggregate have a Material Adverse Effect.

7.22 Operational Matters

Except as would not reasonably be expected to have a Material Adverse Effect on the Delphi Group, all rentals, payments and obligations, royalties, overriding royalty interests, production payments, net profits, interest burdens and other payments for which the Delphi Group is directly obligated to pay in respect of the Petroleum and Natural Gas Rights on or prior to the date hereof have been properly and timely paid.

7.23 Operation and Condition of Tangibles

Except as would not in the aggregate have a Material Adverse Effect, the Delphi Group's tangible depreciable property operated by it in accordance with its Petroleum and Natural Gas Rights has been operated and maintained in accordance with prudent oil and gas industry practices in Canada and all applicable Laws during all periods in which any member of the Delphi Group was operator thereof, and during the periods in which any member of the Delphi Group was not operator of the tangible depreciable property used or intended to be used in connection with its Petroleum and Natural Gas Rights, to its knowledge, such tangible depreciable property was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Laws and is in good

condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business.

7.24 Title to Facilities

Except for Permitted Encumbrances, the Delphi Group has good and marketable title to the Delphi Facilities, free and clear of all liens, charges, encumbrances and adverse claims.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES OF FAIRMOUNT

Fairmount hereby represents and warrants (and, as applicable, covenants) to Delphi as follows and acknowledges that Delphi is relying upon these representations, warranties and covenants in connection with the entering into of this Agreement:

8.1 Organization and Qualification of Fairmount

Fairmount is a corporation duly formed and organized and validly existing under the Laws of Canada and has the requisite power and authority to own its properties and conduct its business as now owned and conducted. Fairmount is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Fairmount on a consolidated basis. Since August 2004 none of the members of the Fairmount Group has carried on any business other than the exploration for and development and productions of hydrocarbons and associated substances in Canada.

8.2 Organization and Qualification of Subsidiaries

Each of the subsidiaries of Fairmount is a corporation duly formed and organized and validly existing under the Laws of its jurisdiction of formation and has the requisite power and authority to own its properties and conduct its business as now owned and conducted. Each of the subsidiaries of Fairmount is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Fairmount on a consolidated basis.

8.3 Authority Relative to this Agreement

Fairmount has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Fairmount's board of directors, and no other corporate proceedings on the part of Fairmount are necessary to authorize this Agreement (except for obtaining any applicable shareholder approval in respect of any Second Stage Transaction) and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Fairmount and constitutes the legal, valid and binding obligation of Fairmount enforceable against Fairmount in accordance with its terms,

subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally, and to general principles of equity.

8.4 Subsidiaries

Fairmount has no wholly-owned subsidiaries, other than FMT Energy VI Inc. and FMTSK Energy Inc. (collectively, with Fairmount, the "**Fairmount Group**") and Fairmount owns, directly or indirectly, 100% of the outstanding securities of each of such subsidiaries. All of the outstanding shares in the subsidiaries of Fairmount are duly authorized, validly issued, fully paid and non-assessable, and all such shares held directly or indirectly by Fairmount, are owned by Fairmount free and clear of all encumbrances, except pursuant to restrictions on transfer contained in the articles of such subsidiary and pursuant to security interests of National Bank of Canada in connection with the Corporation's credit facilities. There are no outstanding contractual or other obligations of any member of the Fairmount Group to repurchase, redeem or otherwise acquire any of their respective securities or with respect to the voting or disposition of any outstanding securities of any of them.

8.5 No Violations

Except as otherwise specifically communicated in writing to Delphi:

- (a) other than as required in connection with the Fairmount credit facilities, none of the execution and delivery of this Agreement by Fairmount, the consummation of the transactions contemplated hereby or the compliance by Fairmount with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Fairmount Group under, any of the terms, conditions or provisions of: (x) the Fairmount Governing Documents; or (y) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which the Fairmount Group is a party or to which the Fairmount Group or its properties or assets, may be subject or by which the Fairmount Group is bound; (ii) subject to compliance with the statutes and regulations referred to in Section 8.5(b), violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to the Fairmount Group (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have a Material Adverse Effect or have a material adverse effect on the ability of Fairmount to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect;
- (b) other than in connection or compliance with Securities Laws and the rules of the TSX Venture Exchange: (i) there is no legal impediment to Fairmount's

consummation of the transactions contemplated by this Agreement; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Fairmount in connection with the making or the consummation by Delphi of the Offer, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect or have a material adverse effect on the ability of Fairmount to consummate the transactions contemplated hereby;

- (c) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which the Fairmount Group, or, to the knowledge of Fairmount, any director, officer, employee or consultant or any affiliate (as defined in the Act) of such Persons is a party or is otherwise bound that would now or hereafter: (i) limit in any material respect either the type of business in which the Fairmount Group (or, after the Effective Time, Delphi or its subsidiaries) may engage or the manner or locations in which any of them may so engage in any business; (ii) could require the disposition of any material assets or line of business of the Fairmount Group or, after the Effective Time, Delphi or its subsidiaries; (iii) grants “most favoured nation” status that, following the Effective Time, would apply to Delphi or its subsidiaries, including Fairmount; or (iv) prohibits or limits the right of the Fairmount Group to make, sell or distribute any products or services or use, transfer, license, distribute or enforce any of their respective intellectual property rights; and
- (d) the execution, delivery and performance of this Agreement does not and will not result in the restriction of the Fairmount Group from engaging in its business or from competing with any Person or in any geographical area.

8.6 Capitalization of Fairmount

As of the date hereof, the authorized share capital of Fairmount consists of an unlimited number of Fairmount Shares. As of the date hereof, 16,339,889 Fairmount Shares are issued and outstanding. As of the date hereof, 1,602,499 Fairmount Shares are issuable pursuant to the exercise of outstanding Fairmount Options and 314,998 Fairmount Shares are issuable pursuant to the exercise of outstanding Fairmount Performance Warrants. In addition to the Fairmount Options and Fairmount Performance Warrants, Fairmount has issued 497,489 share appreciation rights to certain employees, directors and officers. Except as set forth in the immediately preceding sentences, there are no options, puts, calls, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Fairmount of any shares of Fairmount (including Fairmount Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Fairmount (including Fairmount Shares), other than as specifically communicated in writing to Delphi, nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Fairmount. All outstanding Fairmount Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Fairmount Shares issuable upon exercise of outstanding Fairmount

Options in accordance with their respective terms will be duly authorized and validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights.

8.7 No Material Adverse Change

Other than as specifically communicated in writing to Delphi, since March 31, 2009, no Material Adverse Change has occurred that has not been publicly disclosed.

8.8 Information

The material data and information provided by Fairmount to Delphi and its agents and representatives (excluding such data and information which is forward-looking or relates to projections or forecasts or geological interpretations) does not contain a misrepresentation as defined under Securities Laws.

8.9 No Undisclosed Material Liabilities

Except: (a) as disclosed or reflected in the audited annual consolidated financial statements of Fairmount as at March 31, 2009; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business and consistent with past practice since March 31, 2009; (ii) pursuant to the terms of this Agreement; (iii) publicly disclosed on SEDAR prior to the date hereof; or (iv) amounts incurred pursuant to termination costs and advisory fees as specifically communicated in writing to Delphi, Fairmount has not incurred any material liabilities of any nature, whether accrued, contingent or otherwise, whether or not such liabilities would be required by generally accepted accounting principles applicable in Canada to be reflected on a consolidated balance sheet of Fairmount as of the date hereof.

8.10 Financial Commitments

Except for the fees payable to Rundle Energy Partners and Peters & Co. Limited, Fairmount has no individual outstanding financial commitments not made in accordance with the Fairmount budget or publicly disclosed on SEDAR prior to the date hereof or pursuant to the termination costs and advisory fees as specifically communicated in writing to Delphi in excess of \$395,000 plus applicable GST and no aggregate financial commitments in excess of those commitments disclosed in Fairmount's management discussion and analysis for the year ended March 31, 2009.

8.11 Employee Obligations

The Employee Obligations do not exceed in the aggregate \$825,000.

8.12 Brokerage Fees

Fairmount has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Rundle Energy Partners have been retained as Fairmount's financial advisors in connection with certain matters and Peters & Co. Limited has been retained by Fairmount to provide a fairness opinion in connection with the Offer, including the transactions

contemplated hereby. Fairmount has delivered to Delphi a true and complete copy of its agreement with each of Rundle Energy Partners and Peters & Co. Limited and Fairmount hereby agrees not to amend such agreements without Delphi's consent. There are no fees payable to such advisors other than those disclosed in such agreements.

8.13 Conduct of Business

Except as disclosed in the public documents of Fairmount filed pursuant to Securities Laws or contemplated herein or would not have a Material Adverse Effect, Fairmount has conducted and is conducting its business substantially in accordance with good oilfield and environmental practices and in compliance in all material respects with all applicable Laws in each jurisdiction in which it carries on business.

8.14 Reports

- (a) The Disclosure Documents were, as of their respective dates, in compliance in all material respects with applicable Securities Laws and did not, when filed, contain a "misrepresentation" within the meaning of applicable Securities Laws.
- (b) Fairmount will during the term of this Agreement deliver to Delphi as soon as they become available true and complete copies of any report or statement filed by it with Securities Authorities subsequent to the date hereof. As of their respective dates, such reports and statements (excluding any information therein provided by Delphi, as to which Fairmount makes no representation): (i) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and (ii) will comply in all material respects with all applicable requirements of law including Securities Laws. The financial statements of Fairmount issued by Fairmount or to be included in such reports and statements (excluding any information therein provided by Delphi, as to which Fairmount makes no representation) will be prepared in accordance with generally accepted accounting principles in Canada (except: (A) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Fairmount's auditors; or (B) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present fairly the financial position, results of operations and changes in financial position of Fairmount as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

8.15 Books and Records

The corporate records and minute books of the Fairmount Group have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects, except for minutes of meetings of the directors of Fairmount and committees thereof relating to Fairmount's sale process or held since June 25, 2009 and which have not yet

been prepared. All such corporate records and minute books of the Fairmount Group have been provided to Delphi.

8.16 Litigation, etc.

There is no claim, action, inquiry, suit, hearing, arbitration, investigation or other proceeding currently outstanding or, to the knowledge of Fairmount, pending or threatened against or relating to the Fairmount Group or affecting any of its properties or assets before any Governmental Entity, nor is Fairmount subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect or that is reasonably likely to prevent or materially delay consummation of the transactions contemplated by this Agreement or the Offer.

8.17 Environmental

To the knowledge of Fairmount and except as would not reasonably be expected to have a Material Adverse Effect:

- (a) the Fairmount Group is not in violation of any Environmental Laws;
- (b) each member of the Fairmount Group has operated its business at all times and has generated, received, handled, used, stored, treated, shipped, recycled and disposed of all contaminants in compliance with Environmental Laws;
- (c) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes within the Fairmount Group's ownership, possession or control, other than those which have been or are in the process of being rectified in compliance with Environmental Laws, on any of the real property owned or leased by the Fairmount Group;
- (d) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes, within the Fairmount Group's ownership, possession or control, into the earth, air or into any body of water or any municipal or other sewer or drain water systems by any member of the Fairmount Group;
- (e) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Fairmount Group other than abandonment and reclamation orders, directions or notices issued with the normal course of business; and
- (f) each member of the Fairmount Group, as of the date hereof, holds all licenses, permits and regulatory approvals required under any Environmental Laws in connection with the operation of its business as presently conducted and the ownership and use of its assets and all such licenses, permits and regulatory approvals are in full force and effect.

8.18 Insurance

Policies of insurance in force as of the date hereof naming Fairmount as an insured provide terms and coverage comparable to those that are customarily carried and insured against by owners of comparable business, properties and assets. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Offer.

8.19 Tax Matters

- (a) **Returns Filed and Taxes Paid.** Other than the Return for FMTSK Energy Inc. for the year ended October 31, 2008, all Returns required to be filed by or on behalf of the Fairmount Group have been duly filed on a timely basis and such Returns are true, complete and correct in all material respects. All Taxes shown to be payable on the Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Fairmount's financial statements, and no other Taxes are payable by the Fairmount Group with respect to items or periods covered by such Returns.
- (b) **Tax Reserves.** For the year ended March 31, 2009, the Fairmount Group has paid all applicable Taxes or Fairmount has provided adequate accruals in its audited financial statements for the year ended March 31, 2009 for all such unpaid Taxes. The audited financial statements for the year ended March 31, 2009 disclose all future income taxes in conformity with generally accepted accounting principles applicable in Canada.
- (c) **Returns Furnished.** For the year ended March 31, 2008, Delphi has been furnished by Fairmount with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, or agreements relating to Taxes; and (ii) all separate federal, provincial, state, local or foreign income or franchise Returns for the Fairmount Group.
- (d) **Tax Deficiencies, Audits, Statutes of Limitations.** Except as has been specifically communicated in writing to Delphi, no material deficiencies exist or have been asserted with respect to Taxes of the Fairmount Group. The Fairmount Group is not party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against the Fairmount Group or any of its assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of the Fairmount Group. The Returns of the Fairmount Group have never been audited by a government or taxing authority, nor to the knowledge of Fairmount, is any such audit in process, pending or threatened.

8.20 Employee Benefit Plans

Fairmount:

- (a) has no defined benefit plans, defined contribution plans or other employee benefit plans other than the Manulife Group Benefits Plan and the Manulife Cost Plus Plan, and
- (b) has no stock option plans or arrangements other than the Stock Option Plan and certain outstanding share appreciation rights and, except as otherwise disclosed herein, is not otherwise a party to any agreement to provide any Fairmount Shares or other Fairmount securities (including any securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire Fairmount Shares) or to provide any options to acquire Fairmount Shares or any other Fairmount securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Fairmount Shares to any Person other than pursuant to the Stock Option Plan.

8.21 Employment Agreements

Fairmount is not a party to any employment agreement. Other than Employee Obligations disclosed to Delphi which do not exceed \$825,000, Fairmount is not a party to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.

8.22 Reporting Issuer Status

Fairmount is a “reporting issuer” in compliance in all material respects with all Securities Laws in the Provinces of Alberta and British Columbia and the rules and policies of the TSX Venture Exchange and the Fairmount Shares are only listed on the TSX Venture Exchange.

8.23 No Shareholder Rights Plan

There is not in effect with respect to Fairmount, and prior to the Expiry Time Fairmount will not implement, any shareholder rights plan.

8.24 Engineering Reports

Fairmount has made available to GLJ prior to the issuance of their report dated May 26, 2009 effective March 31, 2009 (the “**Fairmount Reserves Report**”), for the purpose of preparing such report, all information requested by GLJ, which information did not, at the time such information was provided, contain any material misrepresentation. Fairmount believes that the Fairmount Reserves Report reasonably presents the quantity and pre-tax present values of estimated oil and gas reserves attributable to Fairmount’s properties evaluated therein as at March 31, 2009 based upon information available at the time the Fairmount Reserves Report was prepared and the assumptions as to commodity prices and costs contained therein.

8.25 Title

Although it does not warrant title to its Petroleum and Natural Gas Rights, except for Permitted Encumbrances, its Petroleum and Natural Gas Rights are free and clear of all liens, adverse claims, charges and encumbrances created by, through or under Fairmount or its Affiliates.

8.26 No Reduction of Interests

Other than the Permitted Encumbrances and except as reflected in the Fairmount Reserves Report, none of the Petroleum and Natural Gas Rights are subject to reduction by reference to payout or of production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under the Fairmount Group except to the extent that such reduction or change to an interest would not in the aggregate have a Material Adverse Effect.

8.27 Take or Pay

The Petroleum and Natural Gas Rights of Fairmount are not subject to any “take or pay” obligations.

8.28 Production Penalties

As of the date hereof, none of Fairmount Group has received notice of any production penalty or similar production restriction of any nature imposed by any Governmental Entity, including gas-oil ratio, off-target and overproduction penalties imposed by any Governmental Entity and to its knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not in the aggregate have a Material Adverse Effect.

8.29 Area of Mutual Interest

There are no active area of mutual interest provisions or area of exclusion in any of the material agreements or title and operating documents to which the Petroleum and Natural Gas Rights are subject.

8.30 Off-Set Obligation

As of the date hereof, none of the Fairmount Group has received any written notice that the Leases in respect of the Petroleum and Natural Gas Rights are subject to any accrued drilling or off-set obligations which have not been satisfied or permanently waived, other than as disclosed in writing to Delphi.

8.31 Operational Matters

Except as would not reasonably be expected to have a Material Adverse Effect on the Fairmount, all rentals, payments and obligations, royalties, overriding royalty interests, production payments, net profits, interest burdens and other payments for which Fairmount Group is directly obligated to pay in respect of the Petroleum and Natural Gas Rights on or prior to the date hereof have been properly and timely paid.

8.32 Operation and Condition of Tangibles

Except as would not in the aggregate have a Material Adverse Effect, the Fairmount Group’s tangible depreciable property operated by it in accordance with its Petroleum and Natural Gas Rights has been operated and maintained in accordance with prudent oil and gas

industry practices in Canada and all applicable Laws during all periods in which any member of Fairmount Group was operator thereof, and during the periods in which any member of the Fairmount Group was not operator of the tangible depreciable property used or intended to be used in connection with its Petroleum and Natural Gas Rights, to its knowledge, such tangible depreciable property was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Laws and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business.

8.33 Authorization for Expenditure

Other than as disclosed in writing to Delphi, the Fairmount Group does not have any outstanding authorizations for expenditures or like commitments.

8.34 Hedging

None of the Fairmount Group is a party to, or bound by any currently outstanding interest rate swaps, foreign exchange swaps, commodity price hedging contracts and similar derivative contracts.

8.35 Joint Venture Audits

Other than a joint venture audit by commenced by Husky Energy which may be ongoing, there are no ongoing or proposed joint venture audits under the Title and Operating Documents or otherwise. Fairmount has made available to Delphi all Title and Operating Documents and other documents and agreements in its possession and requested by Delphi affecting the ownership, operations and title of the Fairmount Group to the Assets.

8.36 Right of First Refusal

Except as otherwise disclosed in writing to Delphi, all rights of first refusal, pre-emptive purchase rights and similar rights applicable to transactions whereby the Fairmount Group or any of its predecessors in interest acquired an interest in the Assets have been complied with or waived by the holders thereof. The entering into of this agreement and completion of the transactions contemplated herein does not trigger any right of first refusal or other rights in favour of a third party pertaining to the Assets of the Fairmount Group.

8.37 Title to Facilities

Except for Permitted Encumbrances, the Fairmount Group has good and marketable title to the Fairmount Facilities, free and clear of all liens, charges, encumbrances and adverse claims.

8.38 Fairmount Proprietary Rights

All material technology, processes, maps, seismic records, shot points, field notes, interpretations and programs, all seismic, geological and geophysical information and libraries, and other proprietary information relating to the business and properties of the Fairmount Group currently used by such Persons in the conduct of their respective businesses (collectively, the “**Evaluation Data**”) owned or leased by the Fairmount Group has been set forth in a schedule

dated August 16, 2009 and provided to Delphi. The use of all of the Evaluation Data owned by the Fairmount Group has not and will not impair Fairmount's rights in and to such Evaluation Data.

8.39 Investments

No member of the Fairmount Group is a party to any agreements of any nature to acquire any shares of any corporation or to acquire, capitalize or invest in any business or entity

8.40 Non-Arm's Length Transactions

No director, officer, employee, insider of the Fairmount Group or other non-arm's length party to the Fairmount Group is indebted to the Fairmount Group. No director, officer, employee, insider or other non-arm's length party to the Fairmount Group has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever which are based on production from or in respect of any properties of the Fairmount Group that will be effective after the Take-up Date.

8.41 Guarantee

No member of the Fairmount Group has guaranteed, endorsed, assumed or indemnified, contingently or otherwise, the obligations of indebtedness of any Person other than in the ordinary course of the oil and gas business pursuant to the Title and Operating Documents and in respect of inter-company guarantees in connection with the credit facility of Fairmount or pursuant to directors and officers indemnification agreements, which guarantee and indemnification agreements have been provided to Delphi.

8.42 Confidentiality Agreements

Fairmount has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by Fairmount.

8.43 U.S. Securities Law Matters

Fairmount is a "foreign private issuer" as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). There is no class of securities of Fairmount which is registered, nor prior to the Expiry Time will be registered, pursuant to Section 12 of the Exchange Act. Fairmount is not, and prior to the Expiry Time will not be, subject to any reporting obligation pursuant to Section 15(d) of the Exchange Act. Fairmount is not, and has never been, subject to any requirement to register any class of its equity securities pursuant to Section 12(g) of the Exchange Act. Fairmount is not an investment company registered or required to be registered under the Investment Company Act of 1940, as amended.

8.44 Fairness Opinion

Fairmount has received the verbal Fairness Opinion from its financial advisor stating that, as of the date hereof, the consideration per share offered pursuant to the Offer is fair, from a

financial point of view, to holders of Fairmount Shares, which Fairness Opinion shall be provided to the board of directors of Fairmount in writing and included in the Directors' Circular.

8.45 Transaction Costs

Fairmount reasonably estimates that all transaction costs (including all legal, financial, engineering, accounting and other advisors of Fairmount and any other costs and expenses of Fairmount of the transaction contemplated hereby), other than Employee Obligations, will not exceed \$ 570,000.

ARTICLE 9 CONDUCT OF BUSINESS

9.1 Conduct of Business by Fairmount

Fairmount covenants and agrees that, during the period from the date of this Agreement until this Agreement is terminated in accordance with its terms, unless Delphi shall otherwise agree in writing, except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) the business of the Fairmount Group shall be conducted only in, and Fairmount shall not take any action except in, the usual and ordinary course of business consistent with past practice and in compliance in all material respects with applicable Laws, and Fairmount shall use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships;
- (b) Fairmount shall not directly or indirectly do or permit to occur any of the following: (i) amend the Fairmount Governing Documents; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any Person; (iii) issue, grant, sell, pledge, dispose of, encumber or agree to issue, grant, sell, pledge, dispose of or encumber any shares of Fairmount or other securities of Fairmount other than Fairmount Shares issuable pursuant to the exercise of the Fairmount Options and Fairmount Performance Warrants; (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (v) split, combine or reclassify any of its shares; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Fairmount; (vii) adopt a shareholder rights plan that provides rights to holders of Fairmount Shares to purchase any securities of Fairmount as a result of the Offer; or (viii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted in Section 9.1(b);
- (c) Fairmount shall not directly or indirectly do any of the following: (i) incur or commit any capital expenditures; (ii) incur operating expenses which are in

excess of \$10,000 individually or \$85,000 in the aggregate, in each case, on a monthly basis, in the ordinary course of business consistent with past practice; (iii) incur general or administrative expenses in excess of \$3,500 individually or \$140,000 in the aggregate, in each case, on a monthly basis, in the ordinary course of business consistent with past practice; (iv) sell, pledge, dispose of or encumber any assets; (v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital, property transfer; (vi) enter into any form of joint venture, farm-out or other partnering arrangement; (vii) incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances; (viii) pay, discharge or satisfy any claims, liabilities or obligations other than the payment, discharge or satisfaction in the ordinary course of business, consistent with past practice, of liabilities reflected or reserved against in its financial statements or incurred in the ordinary course of business consistent with past practice; (ix) authorize, recommend or propose any release or relinquishment of any material contract right; (x) waive, release, grant or transfer any rights of material value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession, development plan or other document; (xi) enter into or terminate any interest rate swaps, currency swaps, hedges or any other rate fixing agreement for a financial transaction or enter into any hedge, put or call arrangement of any sort or any forward sale agreement for commodities; (xii) file, amend, abandon, fail to diligently pursue or withdraw any application for any material licenses, permits, certificates, consents, orders, waivers, authorizations, approvals or registrations; (xiii) enter into any material agreement; (xiv) except as required by GAAP or applicable Law, make any material changes in financial or tax accounting methods, principles, policies or practices; fail to file, on a timely basis, with the appropriate Governmental Entity, all Returns required to be filed by or with respect to Fairmount, or fail to timely withhold, pay or remit any Taxes due in respect of such Returns; (xv) make any material change to the Returns, make any material election relating to Taxes, change any material election relating to Taxes already made, settle any material dispute related to Taxes, or consent or enter into any closing agreement with any taxation authority during any audit relating to Taxes or consent to any waiver or extension of the statutory period of limitations in respect of any such audit; or (xvi) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing except as permitted in this Section 9.1(c);

- (d) Fairmount shall use its commercially reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal

to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect and Fairmount shall consult with Delphi regarding any renewal or extension of their insurance (or re-insurance) policies;

(e) Fairmount shall:

- (i) provide Delphi with a copy of each cheque register promptly after each such register is prepared and allow Delphi at least one (1) Business Day to review, inquire and comment on the cheque register.
- (ii) use its commercially reasonable efforts to preserve intact its business organization and goodwill, to keep available the services of its officers and employees as a group and to maintain satisfactory relationships with suppliers, agents, distributors, customers and others having business relationships with it;
- (iii) not take any action that would render, or that reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;
- (iv) promptly notify Delphi orally and in writing of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
- (v) confer, prior to taking action (other than in emergency situations) with Delphi with respect to all material operational matters involved in its business or in respect of incurring any expenditures contemplated by Section 9.1(c);
- (vi) work to familiarize Delphi personnel with the nature and workings of all of its operational, accounting and land systems with the objective that Delphi personnel be able to continue the operation of all such systems following completion of the transactions contemplated herein; and
- (vii) make such reasonable accruals to its accounts and financial statements subsequent to the date of this Agreement and prior to the Initial Expiry Time as are in accordance with generally accepted accounting principles, including in respect of inventory adjustments, allowance for doubtful accounts and certain other revenue and expense items and balance sheet reclassification items;

(f) no member of the Fairmount Group shall create any new Employee Obligations, grant to any officer, director or any other employee an increase in compensation in any form, make any loan to any officer or director, take any action with respect to the grant of any severance or termination pay or enter into any new employment agreement with any Person or otherwise extend, expand or enhance

the engagement, employment or any related rights or any former, present or future director, officer, employee, consultant, advisor or agent of the Fairmount Group ;

- (g) no member of the Fairmount Group shall adopt or amend or make any contribution to any bonus, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangements or agreements or to give effect to the terms of this Agreement; and
- (h) Fairmount shall not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 9.1, except as specifically permitted in this Section 9.1, without the prior consent of Delphi.

ARTICLE 10 COVENANTS OF FAIRMOUNT

10.1 Access to Information

Subject to the Confidentiality Agreement and any third party confidentiality obligations in effect as at the date hereof, upon reasonable notice, Fairmount shall afford Delphi's officers, employees, counsel, financial advisors, accountants and other authorized representatives and advisers reasonable access, during normal business hours and at such other time or times as Delphi may reasonably request from the date hereof and until the expiration of this Agreement, to its lands, leases, wells, facilities, books, contracts and records as well as to its management personnel, and, during such period, Fairmount shall furnish promptly to Delphi all information concerning its business, properties and personnel as Delphi may reasonably request and shall review with Delphi personnel such of the records, systems and processes with the objective of enabling Delphi personnel to assume the continuing operations of Fairmount upon the acquisition by Delphi of the Minimum Required Shares pursuant to the Offer. Fairmount expressly agrees that Delphi may designate an individual to attend at the offices of Fairmount once a week and to attend any formal joint venture meetings for the purposes set forth above and to consult with Delphi and approve actions or transactions for which the consent of Delphi is required hereunder. Fairmount agrees to keep Delphi fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising in the period between the date hereof and the Effective Time that would be relevant and material to a Delphi of the Fairmount Shares or a prudent operator of the business and operations of Fairmount, taken as a whole.

10.2 General Releases

Fairmount shall not pay out any Employee Obligations.

10.3 Notice of Material Adverse Change

From the date hereof until the termination of this Agreement, Fairmount shall promptly notify Delphi in writing of any Material Adverse Change. Fairmount shall in good faith discuss with Delphi any change in circumstances (actual, anticipated, contemplated or, to the knowledge

of Fairmount, threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Delphi pursuant to this Section 0.

10.4 Financial and Other Information

Fairmount shall make available to Delphi, and consents to the use of, all information of Fairmount which may be required under applicable law to be disclosed in the Offer Documents or any documents necessary to complete a Second Stage Transaction. Fairmount shall receive the prior consent of Delphi, not to be unreasonably withheld, prior to making any disclosure, written or otherwise, related to its financial or operating results, however, Fairmount may make such disclosure prior to such consent on the advice of counsel that such action is required by applicable law (including Securities Laws) or by obligations pursuant to any listing agreement with a stock exchange, but only after using its best efforts to consult Delphi taking into account the time constraints to which it is subject as a result of such law or obligation.

10.5 Certificate of Fairmount

Not more than seven hours before the Expiry Time, Fairmount shall provide to Delphi a true and correct certificate of Fairmount, signed by the President and another officer of Fairmount, not in their personal capacities and without incurring any personal liability, confirming, after due and careful inquiry, that as at the Expiry Time:

- (a) Fairmount shall not have breached, or failed to comply with, any of its covenants or obligations under this Agreement in any material respect; and
- (b) no representation or warranty of Fairmount contained in this Agreement shall have become inaccurate (and for purposes of this Section 10.5 (i) representations and warranties made as of a specific date shall remain true and correct as of such date; and (ii) representations and warranties shall be read as if none of them contained any Material Adverse Change, Material Adverse Effect or other materiality qualification), except and to the extent that such representations and warranties are varied as a result of any matter permitted or consented to under this Agreement or consented to in writing by Delphi and except for such inaccuracies which individually or in the aggregate shall not cause or could not reasonably be expected to cause a Material Adverse Change or otherwise prevent or materially delay or could reasonably be expected to prevent or materially delay the consummation of the Offer beyond the Outside Date.

10.6 Share Appreciation Rights

Fairmount agrees to use reasonable commercial efforts to ensure that all Persons holding SARs exercise those securities or surrender their rights to exercise any of those securities prior to the Expiry Time. Fairmount agrees to co-operate with Delphi to facilitate the exercise or surrender of all SARs prior to the Expiry Time, and upon request of Delphi will terminate any such holders, if required to facilitate such surrender.

ARTICLE 11 COVENANTS OF DELPHI

11.1 Purchase Consideration

Delphi covenants and agrees that at all times when the Offer is outstanding, Delphi shall not take any action which would or could result in the representation and warranty set out in Section 7.4 being untrue in any material respect.

11.2 Indemnities

Delphi agrees that if it acquires the Fairmount Shares under the Offer it shall cause Fairmount to fulfil its obligations pursuant to indemnities provided or available to past and present officers and directors of Fairmount pursuant to the provisions of the Fairmount Governing Documents, the Act, and the written indemnity agreements, copies of which were provided to Delphi prior to the date hereof, which have been entered into between Fairmount and its current officers and directors.

11.3 Directors and Officers Insurance

Delphi acknowledges that Fairmount may, prior to the Expiry Time, secure “run off” directors’ and officers’ liability insurance for Fairmount’s current directors and officers, covering claims made prior to or within six years after the Take-up Date, which has a scope and coverage no less advantageous in scope and coverage to that provided pursuant to Fairmount’s current directors’ and officer’s insurance policy and Delphi agrees to not take or permit any action to be taken by or on behalf of Fairmount to terminate or adversely affect such directors’ and officers’ insurance.

In the event that Delphi acquires the Fairmount Shares under the Offer, and Fairmount has not purchased such insurance, Delphi agrees to cause Fairmount to maintain Fairmount’s current directors’ and officers’ insurance policy or an equivalent policy which has a scope and coverage no less advantageous in scope and coverage to that provided pursuant to Fairmount’s current directors’ and officer’s insurance policy for all present and former directors and officers of Fairmount on a “run off” basis covering claims made prior to or within six years after the Take-up Date.

Notwithstanding the foregoing, in no event shall Fairmount or Delphi be obligated to obtain or maintain any insurance policies to the extent that the premium for any such policy exceeds \$50,000 and if such premium exceeds \$50,000, Fairmount shall obtain policies of insurance that, in its good faith determination, provide the best coverage reasonably available at a premium equal to \$50,000.

11.4 Severance Obligations

Purchaser covenants and agrees, at and after the Effective Time, that it will cause Fairmount and any successor to Fairmount to honour and comply with the terms of all existing termination, and severance arrangements, (including the Employee Obligations) and plans or policies of Fairmount as specifically communicated in writing to Delphi.

Severance and termination payments for employees and contractors terminated: (i) in connection with the completion of this Offer; and (ii) immediately after the Effective Time shall be made immediately after the Effective Time. All severance and termination payments made to employees and contractors, whether immediately after the Effective Time or thereafter, shall be made only upon receipt by Fairmount from the applicable employee or contractor of an executed general release of all claims that such Person may have against Fairmount, its directors, officers and employees as well as the surrender of any SARs which have not been exercised.

11.5 Third Party Beneficiaries

The provisions of Sections 11.2, 11.3 and 11.4 are: (i) intended for the benefit of the employees of Fairmount and its subsidiaries and all present and former directors and officers of Fairmount and its subsidiaries, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such Persons and his or her heirs, executors administrators and other legal representatives (collectively, the “**Third Party Beneficiaries**”) and Fairmount shall hold the rights and benefits of Sections 11.2, 11.3 and 11.4 in trust for and on behalf of the Third Party Beneficiaries and Fairmount hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

ARTICLE 12 MUTUAL COVENANTS

12.1 Other Filings

Delphi and Fairmount shall, as promptly as practicable hereafter, prepare and file any filing required under Securities Laws and the rules of the Toronto Stock Exchange and TSX Venture Exchange relating to the transactions contemplated hereby.

12.2 Additional Agreements

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable law, each of the Parties agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts to:

- (a) obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts or agreements (including, without limitation, the agreement of any Persons as may be required pursuant to any agreement, arrangement or understanding relating to Fairmount’s operations);
- (b) obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations;
- (c) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;

- (d) cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated hereby;
- (e) effect all necessary registrations and other filings and submissions of information requested by Governmental Entities;
- (f) fulfil all conditions and satisfy all provisions of this Agreement and the Offer; and
- (g) respond to any Fairmount Shareholder or investment community inquiries in a manner which reaffirms Fairmount's support for the Offer.

For purposes of the foregoing, the obligation to use "commercially reasonable efforts" to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other parties.

ARTICLE 13

TERMINATION, AMENDMENT AND WAIVER

13.1 Termination

This Agreement may be terminated by written notice given to the other Party hereto, at any time prior to completion of the transactions contemplated hereby:

- (a) by mutual written consent of Fairmount and Delphi;
- (b) by Delphi, if the conditions to the Offer have not been satisfied or waived by Delphi on or before the Expiry Time;
- (c) by either Delphi or Fairmount if a Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the Party seeking to terminate this Agreement pursuant to this Section 13.1(c) shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction;
- (d) (i) by Delphi if Fairmount shall have breached, or failed to comply with, any of its covenants or obligations under this Agreement in any material respect, or if any representation or warranty of Fairmount contained in this Agreement shall have become materially inaccurate, (and for the purposes of this Section 13.1(d)(i), all covenants, representations and warranties of Fairmount shall be read as if none of them contained any Material Adverse Change, Material Adverse Effect or other materiality qualification); provided that: (A) Fairmount shall be provided with written notice of such breach, non-compliance or inaccuracy (which notice shall be provided by Delphi as soon as practicable) and shall have 7 Business Days from receipt of such notice to cure such breach, non-compliance or inaccuracy; and (B) the individual or collective effect of all such

breaches, non-compliance and/or inaccuracies shall cause or could reasonably be expected to cause a Material Adverse Change or otherwise prevent or materially delay the completion of the Offer beyond the Outside Date;

- (ii) by Fairmount if Delphi shall have breached, or failed to comply with, any of its covenants or obligations under this Agreement in any material respect, or if any representation or warranty of Delphi contained in this Agreement shall have become materially inaccurate (and for the purposes of this Section 13.1(d)(ii), all covenants, representations and warranties of Delphi shall be read as if none of them contained any materiality qualification); provided that: (A) Delphi shall be provided with written notice of such breach, non-compliance or inaccuracy (which notice shall be provided by Fairmount as soon as practicable) and shall have 7 Business Days from receipt of such notice to cure such breach, non-compliance or inaccuracy; and (B) the collective effect of all such breaches, non-compliance and/or inaccuracies shall cause or could reasonably be expected to cause a Material Adverse Change with respect to Delphi or otherwise prevent or materially delay the completion of the Offer beyond the Outside Date;
- (e) by Delphi if it has the right pursuant to Section 2.1(f) to refuse to make the Offer due to the failure of any of the conditions set out in Section 2.1(f);
- (f) by either Delphi or Fairmount if the Non-Completion Fee becomes payable pursuant to Section 4.1 (provided that for the purposes of a termination by Fairmount, Fairmount must have first paid the Non-Completion Fee);
- (g) by Fairmount in order to enter into a Proposed Agreement with any Person in respect of a Superior Take-over Proposal (other than a confidentiality agreement referred to in Section 5.2(c)), provided that Fairmount has not breached, or failed to comply with, in any material respect, any of its covenants or obligations under Article 5 in respect of such Superior Take-over Proposal and provided further that Fairmount pays the Non-Completion Fee to Delphi concurrent with the termination of this Agreement;
- (h) by Fairmount if Delphi has not mailed the Offer Documents by the Latest Mailing Time (other than as a result of any act of Fairmount or breach by Fairmount of any of its obligations hereunder or because any of the conditions to the making of the Offer was not satisfied or waived); or
- (i) by either Delphi or Fairmount if the Effective Time has not occurred by November 6, 2009 (the “**Outside Date**”); provided that if the Effective Time has not occurred prior to the Outside Date as a result of the breach by the Party seeking to terminate this Agreement pursuant to this Section 13.1(i) of any covenant, obligation, representation or warranty of such Party under this Agreement, such Party shall not be permitted to so terminate this Agreement pursuant to this Section 13.1(i);

13.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 13.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of Delphi or Fairmount hereunder except as set forth in Article 4, Sections 1.6, 1.7, 13.2, 13.3 and 14.4, which provisions shall survive the termination of this Agreement. Nothing herein shall relieve any Party from liability for any breach of this Agreement.

13.3 Acknowledgment of Liability

Either Party may be liable for punitive, exemplary, special, indirect or consequential damages, including without limitation, loss of profit or business interruptions, from or arising out of this Agreement.

13.4 Amendment

This Agreement may be amended by mutual agreement between the Parties. This Agreement may not be amended except by an instrument in writing signed by the appropriate officers on behalf of each of the Parties.

13.5 Waiver

Each of Delphi and Fairmount may:

- (a) extend the time for the performance of any of the obligations or other acts of the other Party;
- (b) waive compliance with any of the agreements of the other Party or the fulfilment of any conditions to its own obligations contained herein; or
- (c) waive inaccuracies in any of the representations or warranties of the other Party contained herein or in any document delivered by the other Party hereto;

provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party.

ARTICLE 14 GENERAL PROVISIONS

14.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered if delivered personally or the date sent if sent by telecopier or sent by prepaid overnight courier to the Parties at the following addresses (or at such other addresses as shall be specified by the Parties by like notice):

(a) if to Delphi:

300, 500 – 4th Ave. S.W.
Calgary, AB T2P 2V6
Attention: David J. Reid
Telecopy No.: (403) 265-4037

with a copy to but which shall not constitute notice:

Osler, Hoskin & Harcourt LLP
Suite 2500, TransCanada Tower
450 – 1st St. SW.
Calgary, AB T2P 5H1
Attention: Andrea Whyte
Telecopy No.: (403) 260-7024

(b) if to Fairmount:

2550, 700 - 2nd Street SW
Calgary, Alberta T2P 2W2
Attention: Joseph S. Durante
Telecopy No.: (403) 355-0465

with a copy to but which shall not constitute notice:

Macleod Dixon LLP
3700, 400 – 3rd Avenue S.W.
Calgary, Alberta T2P 4H2
Attention: Jennifer K. Kennedy
Telecopy No.: (403) 264-5973

14.2 Miscellaneous

This Agreement, except for the Confidentiality Agreement, constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Parties, with respect to the subject matter hereof, and shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. The Parties shall be entitled to rely upon delivery of an executed facsimile copy of the Agreement, and such facsimile copy shall be legally effective to create a valid and binding agreement among the Parties. The Parties agree that irreparable damage may occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

14.3 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties without the prior written consent of the other Parties. Delphi may assign all or any part of its rights or obligations under this Agreement to one or more of Delphi's subsidiaries referred to in Section 2.1(b), and provided further that if such assignment takes place, Delphi shall continue to be liable to Fairmount for any default in performance by the assignee.

14.4 Expenses

All fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Offer is consummated.

14.5 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14.6 Confidentiality Agreement

Provided that this Agreement has not been terminated in accordance with the terms hereof, Delphi is hereby released from the provisions of Section 10 of the Confidentiality Agreement in respect of the transactions contemplated by the Offer provided that if the Offer is terminated or expires without Delphi acquiring the Minimum Required Shares all of the terms and provisions of such Confidentiality Agreement shall continue to apply.

14.7 Privacy Issues

- (a) For the purposes of this Section 14.7, the following definitions shall apply:
 - (i) **“applicable law”** means, in relation to any Person, transaction or event, all applicable Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy Laws;
 - (ii) **“applicable privacy laws”** means any and all applicable Laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);

- (iii) **“authorized authority”** means, in relation to any Person, transaction or event, any: (A) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign; (B) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (C) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; and (D) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and
 - (iv) **“Personal Information”** means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual’s capacity as an employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to Delphi by Fairmount in accordance with this Agreement and/or as a condition of the Offer;
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the **“Disclosed Personal Information”**);
- (c) Prior to the completion of the Offer, neither Party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Offer. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless: (i) either Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose; or (ii) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual;
- (d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Offer, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Offer;
- (e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection,

storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information;

- (f) Subject to the following provisions, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Prior to the completion of the Offer, each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access to such information in order to complete the Offer;
- (g) Where authorized by applicable law, each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the Persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims; and
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will return to the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

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14.8 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument but all such counterparts together shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

DELPHI ENERGY CORP.

Per: (signed) "David Reid"

FAIRMOUNT ENERGY INC.

Per: (signed) "Joseph Durante"

SCHEDULE A CONDITIONS TO THE OFFER

Capitalized terms used in this Schedule A but which are not defined herein shall have the meanings set forth in the attached Acquisition Agreement dated August 20, 2009 (the “Agreement”) between Delphi and Fairmount.

Notwithstanding any other provision of the Offer, but subject to the provisions of the Agreement, Delphi reserves the right to withdraw or terminate the Offer and not take up and pay for, or to extend the period of time during which the Offer is open and postpone taking up and paying for, any Fairmount Shares deposited under the Offer unless all of the following conditions, are satisfied or waived by Delphi:

- (a) at the Expiry Time, and at the time Delphi first takes up and pays for Fairmount Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn at least 66 2/3% of the outstanding Fairmount Shares (calculated on a diluted basis), (the “**Minimum Condition**”);
- (b) all requisite statutory or regulatory approvals, orders, and consents shall have been obtained on terms and conditions satisfactory to Delphi, acting reasonably, and all applicable statutory or regulatory waiting periods shall have expired or been terminated and no objection or opposition shall have been filed, initiated or made by any Governmental Entity during any applicable statutory or regulatory period which shall not have been withdrawn, defeated or overcome which has or will likely have a material adverse effect on the ability of Delphi to complete the Offer or any compulsory acquisition or Second Stage Transaction;
- (c)
 - (i) no act, action, suit, proceeding, objection or opposition shall have been taken before or by any Governmental Entity by any elected or appointed public official or by any private person in Canada or elsewhere, whether or not having the force of law;
 - (ii) no Law shall have been proposed, enacted, promulgated, amended or applied; and
 - (iii) no decision, adjudication, judgement or ruling shall have been provided by any Governmental Entity;which in any such case has the effect or may have the effect of cease trading the Fairmount Shares, or enjoining, prohibiting or imposing material limitations, damages or conditions on the Offer, or the purchase by, or the sale to, Delphi of the Fairmount Shares or the right of Delphi to own or exercise full rights of ownership of the Fairmount Shares;
- (d) there does not exist any prohibition at Law against Delphi making the Offer or taking up and paying for all of the Fairmount Shares under the Offer or completing any compulsory acquisition or Second Stage Transaction in respect of any Fairmount Shares not acquired under the Offer;

- (e) at or prior to the Expiry Time, all outstanding Fairmount Options and Fairmount Performance Warrants shall have been exercised, cancelled or otherwise terminated or dealt with in accordance with this Agreement or otherwise in a manner satisfactory to Delphi, acting reasonably;
- (g) no Material Adverse Change shall have occurred with respect to Fairmount since the date of the Agreement;
- (h) the Lock-up Agreements have been complied with, which Lock-up Agreements shall not have been breached in any material respect or terminated by any directors or officers;
- (i) the Agreement shall not have been terminated in accordance with its terms.

SCHEDULE B
FORM OF LOCKUP AGREEMENT FOR DIRECTORS AND OFFICERS

•, 2009

Dear Sir:

Re: Offer by Delphi to Purchase all of the issued and outstanding Common Shares of Fairmount Energy Inc.

Reference is made to the Acquisition Agreement dated •, 2009 (the “**Acquisition Agreement**”, without reference to any future amendments) among Delphi (“**Delphi**”) and Fairmount Energy Inc. (“**Fairmount**”) pursuant to which Delphi has agreed to make an offer to purchase all of the issued and outstanding Fairmount Shares. Unless otherwise defined herein, all capitalized terms referred to herein shall have the meanings attributed thereto in the Acquisition Agreement. For the purposes of this agreement the term “**Fairmount Shares**” shall include all of the Fairmount Shares owned directly or indirectly by the Selling Shareholder (as defined below) and any other Fairmount Shares which the Selling Shareholder now or hereafter owns or over which it now or hereafter exercises direction or control, whether as a result of the exercise of Fairmount Options, Fairmount Performance Warrants or otherwise.

This agreement sets out the terms and conditions upon which the Selling Shareholder has agreed, among other things, to support the Offer and to deposit under the Offer, or cause to be deposited under the Offer, all of the Fairmount Shares (including Fairmount Shares issuable upon the exercise of Fairmount Options and Fairmount Performance Warrants) held by the Selling Shareholder that are, or will be, beneficially owned or controlled by the Selling Shareholder.

We understand that you (the “**Selling Shareholder**”) beneficially own, directly or indirectly, or exercise control or direction over, the number of Fairmount Shares set forth in your acceptance at the end of this Agreement.

1. Covenants of Selling Shareholder

By the acceptance of this letter agreement, the Selling Shareholder hereby agrees, subject to the terms of Sections 4 and 6 of this letter agreement, from the date hereof until the completion of the Offer:

- (a) not to sell, pledge, encumber, assign, convey or otherwise dispose of any of the Fairmount Shares owned by such Selling Shareholder except as contemplated by the Acquisition Agreement;
- (b) to accept the Offer made by Delphi by depositing the Fairmount Shares presently owned or hereafter acquired (including any Fairmount Shares hereafter acquired pursuant to the exercise of any Fairmount Options or Fairmount Performance Warrants) by such Selling Shareholder prior to the expiry of the Offer and in accordance with the terms and conditions of the Offer at least 3 Business Days prior to the Initial Expiry Time;

- (c) to exercise all Fairmount Options held by the Selling Shareholder to acquire Fairmount Shares, or to agree to terminate all remaining Fairmount Options as contemplated by the Acquisition Agreement;
- (d) to exercise all Fairmount Performance Warrants held by the Selling Shareholder to acquire Fairmount Shares, or to agree to terminate all remaining Fairmount Performance Warrants as contemplated by the Acquisition Agreement;
- (e) not to, directly or indirectly, take any action of any kind which would cause any of its representations or warranties in this Agreement to become untrue or which may in any way adversely affect the success of the Offer or the purchase of any Fairmount Shares under the Offer, or the completion of the Offer or the completion of any Compulsory Acquisition or Second Stage Transaction;
- (f) to exercise or cause to be exercised the voting rights attached to the Fairmount Shares against any Take-over Proposal (other than the Offer) and it will not vote or cause to be voted any of the Fairmount Shares in respect of any proposed action by Fairmount or its shareholders or any other Person in a manner which might reasonably be regarded as likely to prevent or materially delay the successful completion of the Offer or the other transactions contemplated by this Agreement;
- (g) not to grant or agree to grant any proxy or other right to the Fairmount Shares, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders or give consents or approvals of any kind with respect to the Fairmount Shares, other than pursuant to the Offer;
- (h) not to do indirectly that which it may not do directly in respect of the restrictions on its rights with respect to the Fairmount Shares pursuant to this Agreement by the sale of any shares in any direct or indirect holding company or interest in a partnership or the granting of a proxy on the shares of any direct or indirect holding company and which would have, indirectly, any effect prohibited by this Agreement;
- (i) subject to the provisions hereof, not to exercise any statutory or other rights of withdrawal with respect to any Fairmount Shares owned by such Selling Shareholder once deposited pursuant to the Offer unless this letter agreement is terminated prior to Delphi taking up the Fairmount Shares under the Offer;
- (j) not to exercise any shareholder rights or remedies available at common law or pursuant to the *Canada Business Corporations Act* or applicable securities legislation to delay, hinder, upset or challenge the Offer; and
- (k) other than as permitted pursuant to Sections 5.2 of the Acquisition Agreement and subject to Section 4 hereof, to immediately cease and cause to be terminated all existing solicitations, initiations, encouragements, discussions or negotiations, if any, with parties (other than the Offeror) with respect to any actual or potential Take-over Proposal and it will not directly or indirectly, solicit, assist, initiate, knowingly encourage or otherwise facilitate any inquiries or proposals regarding a

Take-over Proposal or potential Take-over Proposal, furnish any information relating to Fairmount or otherwise co-operate in any way with, or participate in any negotiations or discussions regarding any Take-over Proposal or potential Take-over Proposal.

2. Covenants of Delphi

Delphi shall make the Offer in accordance with the terms and conditions of the Acquisition Agreement and shall comply with the terms and conditions of Article 2 thereof in respect of the Offer. Delphi shall, subject to the satisfaction or waiver of the conditions set forth in the Offer, take up and pay for all Fairmount Shares owned by the Selling Shareholder and deposited pursuant to the Offer (including any Fairmount Shares hereafter acquired pursuant to the exercise of any Fairmount Options or Fairmount Performance Warrants or otherwise), all in accordance with the terms and conditions of the Offer and the provisions of the Acquisition Agreement.

3. Representations and Warranties

The Selling Shareholder represents and warrants to Delphi that:

- (a) the Selling Shareholder has the legal capacity (including if the Selling Shareholder is a Corporation or other legal entity due authority) to execute and deliver this letter agreement and this agreement is a valid and binding agreement, enforceable against the Selling Shareholder in accordance with its terms; and neither the execution of this letter agreement by the Selling Shareholder nor the completion by the Selling Shareholder of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, understanding, arrangement or restriction of any kind to which the Selling Shareholder will be a party or by which it will be bound at the time of such completion;
- (b) the Selling Shareholder is the beneficial owner of or exercises control and direction over the number of Fairmount Shares and the number of Fairmount Options and Fairmount Performance Warrants set forth under the Selling Shareholder's name on the acceptance page to this letter agreement and has the authority to enter into this agreement and carry out the transactions contemplated hereby; and
- (c) the Fairmount Shares beneficially owned by the Selling Shareholder or over which the Selling Shareholder exercises control and direction at the date hereof are held by the Selling Shareholder with valid and marketable title thereto, and the transfer of such shares to Delphi will pass good and marketable title to such shares, free and clear of all claims, liens, charges, encumbrances and security interests.

4. Fiduciary Duties

Nothing herein shall restrict or limit the actions of any director or officer required to be taken in the discharge of his fiduciary duties as a director or officer of Fairmount.

5. Expenses

Delphi and the Selling Shareholder agree to pay their own respective expenses incurred in connection with this letter agreement. Each of the parties hereto agrees to indemnify the other against any claim for a finder's fee or other compensation validly made by any broker which has an agreement with such indemnifying party for the payment of such fee or compensation. This Section 5 shall survive the termination of this letter agreement pursuant to Section 6.

6. Termination

It is understood and agreed that the respective rights and obligations hereunder of Delphi and the Selling Shareholder shall cease and this letter agreement shall terminate in the event the Acquisition Agreement is terminated pursuant to Section 13.1 thereof.

In the event of termination of this letter agreement, the Selling Shareholder may withdraw all of the Fairmount Shares deposited in accordance with the terms and conditions of the Offer, this letter agreement shall forthwith be of no further force and effect, except as set forth in Section 5 and this Section 6 which provisions shall survive the termination of this letter agreement and there shall be no liability on the part of either the Selling Shareholder or Delphi, except to the extent that either such party is in default of its obligations herein contained.

7. Amendment

Except as expressly set forth herein, this letter agreement constitutes the whole of the agreement between the parties and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

8. Assignment

Except as expressly set forth herein, no party to this letter agreement may assign any of its rights or obligations under this letter agreement without the prior written consent of the other party except that Delphi may assign its rights and obligations under this letter agreement to any of its affiliates, to the extent permitted by the Acquisition Agreement, but no such assignment shall relieve Delphi of its obligations hereunder.

9. Disclosure

Prior to the first public disclosure of the existence and terms and conditions of this letter agreement, none of the parties hereto shall disclose the existence of this letter agreement or any details hereof or the possibility of the Offer being made or any terms or conditions or other information concerning any possible offer to be made for the Fairmount Shares, to any Person other than Fairmount, its directors and officers or the Selling Shareholder's legal and financial advisors, without the prior written consent of the other parties hereto, except to the extent

required by law or stock exchange policy. The existence and terms and conditions of this letter agreement may be disclosed by Delphi and Fairmount in the press release issued in connection with the execution of the Acquisition Agreement and the Offer Documents and the Directors' Circular prepared by Fairmount.

10. Enurement

This letter agreement will be binding upon and enure to the benefit of Delphi, the Selling Shareholder and their respective executors, administrators, successors and permitted assigns.

11. Applicable Law

This letter agreement shall be governed and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

12. Severability

If any provision of this letter agreement is determined to be void or unenforceable, in whole or in part, it shall be severable from all other provisions hereof and shall be deemed not to affect or impair the validity of any other provision hereof and each such provision is deemed to be separate and distinct.

13. Enforcement

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this letter agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this letter agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which such party is entitled at law or in equity.

14. Counterparts

This letter agreement may be signed in counterparts which together shall be deemed to constitute one valid and binding agreement and delivery of such counterparts may be effected by means of telecopier.

Yours truly,

DELPHI ENERGY CORP.

Per: _____
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Acceptance

The foregoing is hereby accepted as of and with effect from the ____ day of _____, 2009 and the undersigned hereby confirms that the undersigned beneficially owns _____ Fairmount Shares, options to acquire _____ Fairmount Shares and Fairmount Performance Warrants to acquire _____ Fairmount Shares.

Witness

Name: