

MATERIAL CHANGE REPORT

1. Name and Address of Reporting Issuer:

Dual Exploration Inc. ("Dual")
1400, 333 - 5th Avenue S.W.
Calgary, AB T2P 3B6
Telephone: (403) 233-7778

2. Date of Material Change:

October 4, 2006

3. News Release:

A news release disclosing the nature and substance of the news release was issued on October 4, 2006 through the Canada Newswire.

4. Summary of Material Change:

On October 4, 2006, Dual signed a definitive agreement (the "Acquisition Agreement") with Cyries Energy Inc. ("Cyries") pursuant to which Cyries agreed to make an offer to acquire all of the issued and outstanding common shares (the "Dual Shares") of Dual (on a fully diluted basis) by way of a take-over bid (the "Offer") for consideration of 0.167 of a Cyries common share for each Dual Share.

5. Full Description of Material Change:

Acquisition Agreement

The following summarizes the key provisions of the Acquisition Agreement. Capitalized terms not defined herein shall have the meaning attributed to them in the Acquisition Agreement. The full text of the Acquisition Agreement is attached as Schedule "A" hereto.

The Offer

Cyries and Dual entered into the Acquisition Agreement pursuant to which Cyries agreed to make the Offer. The Acquisition Agreement provides that the Offer is subject to certain conditions including, among other things, at least 66 2/3% of the outstanding Dual shares being validly deposited and not withdrawn under the Offer and receipt of all necessary regulatory approvals.

Approval by the Board of Directors

Under the Acquisition Agreement, Dual confirmed to Cyries that its board of directors had, after consultation with its legal and financial advisors, and upon receipt of the opinion from Clarus Securities Inc., unanimously (i) approved the Offer; (ii) determined that the Offer is fair, from a financial point of view, to holders of Dual Shares, and is in the best interests of Dual and the holders of Dual Shares; and (iii) resolved to recommend acceptance of the Offer by holders of Dual Shares.

Cease Negotiation

Pursuant to the Acquisition Agreement, Dual agreed with Cyries that it would immediately cease and cause to be terminated all existing discussions, solicitations, initiations, encouragements and negotiations with any parties (other than Cyries or its affiliates) conducted on or before the date of the Acquisition Agreement with respect to any actual or potential Take-over Proposal. Further, Dual agreed that it would not release any party from any confidentiality or standstill agreements or amend any of such agreements and that it would exercise all rights to require the return of all

information provided to any third parties who have had discussions or negotiations or have entered into confidentiality agreements with Dual.

No Solicitation

Dual also agreed in the Acquisition Agreement that it would not, nor authorize or permit any person or any of its representatives, directly or indirectly, to solicit, initiate or encourage or engage in any discussions or negotiations or take any action in respect of, or which may reasonably be expected to lead to a Take-over Proposal. In addition, Dual agreed that it would not provide or furnish to any party any information concerning Dual and its business, properties and assets in respect of or which may reasonably be expected to lead to a Take-over Proposal or accept, recommend, approve or enter into any agreement to implement any Take-over Proposal. Neither Dual nor its representatives may provide or furnish any information to any party in respect of the foregoing unless Dual shall have entered into a confidentiality and standstill agreement with such party containing customary terms. The foregoing does not prevent the board of directors of Dual from (i) engaging in discussions or negotiations with any party who (without any solicitation, initiation or encouragement, directly or indirectly, by Dual or its representatives after the date of the Acquisition Agreement) seeks to initiate such discussions or negotiations, provide or furnish such third party with information concerning Dual and its business, properties and assets and participate in or take any other action if such party has first made a *bona fide* written Take-over Proposal and the Board of Directors of Dual has determined that such Take-over Proposal is a Superior Take-over Proposal and further determines in good faith, after considering applicable law and receiving the advice of outside legal counsel that such action is required for the Board of Directors of Dual to comply with its fiduciary duties under applicable law; (ii) complying with applicable Securities Laws relating to the provision of directors' circulars, and making appropriate disclosure with respect to any such Take-over Proposal to Shareholders; and (iii) accepting, recommending, approving or entering into any agreement to implement a Superior Take-over Proposal and releasing the party making the Superior Take-over Proposal from any standstill provisions, but only if prior to such acceptance, recommendation, approval or entering into of an agreement or release, the Board of Directors of Dual shall have concluded in good faith, after considering provisions of applicable law and after giving effect to all proposals to adjust the terms and conditions of the Acquisition Agreement and the Offer which may be offered by Cyries during the seventy-two (72) hour notice period set forth below and after receiving the advice of outside counsel, that such action is required by the Board of Directors of Dual to comply with its fiduciary duties under applicable law.

Right to Match

Upon receipt of a Take-over Proposal, Dual agrees to provide immediate notice thereof to Cyries and shall provide Cyries with a copy or written description of any such Take-over Proposal and any amendments thereto. Dual has also agreed to notify Cyries immediately if the board of directors of Dual determines that any *bona fide* written Take-over Proposal constitutes a Superior Take-over Proposal. Dual has further agreed that for a period of 72 hours from the time that Dual notifies Cyries of the fact that the board of directors of Dual has determined that a *bona fide* written Take-over Proposal constitutes a Superior Take-over Proposal, the board of directors of Dual agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Take-over Proposal and not to release the party making the Superior Take-over Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Offer. In addition, during such 72 hour period, Dual shall, and shall cause its respective financial and legal advisors to, negotiate in good faith with Cyries to make such adjustments in the terms and conditions of the Acquisition Agreement and the Offer as would enable Cyries to proceed with the Offer as amended rather than the Superior Take-over Proposal. In the event Cyries proposes to amend the Acquisition Agreement and the Offer to provide that the holders of Dual Shares shall receive a value per Dual Share equal to or having a value greater than the value per Dual Share provided in the Superior Take-over Proposal and so advises the board of directors of Dual prior to the expiry of such 72 hour period, the board of directors of Dual shall not accept, recommend, approve or enter into any agreement to implement such Superior Take-over Proposal and shall not release the party making the Superior Take-over

Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Offer.

Waiver of Conditions

Cyries is permitted under the Acquisition Agreement to, in its sole discretion: (i) waive any term or condition of the Offer for its benefit provided that if Cyries takes up and pays for any Dual Shares, it shall acquire not less than the Minimum Required Shares; and (ii) vary any term or condition of the Offer, provided that Cyries shall not without the prior written consent of Dual, acting reasonably: (A) reduce the number of Dual Shares for which the Offer is made; (B) decrease or change the form of the consideration to be paid for each Dual Share; or (C) amend the Offer or modify the conditions to the Offer in a manner that in either case is adverse to the holders of Dual Shares provided that 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, adverse to the holders of Dual Shares. In the event that any required regulatory approval is not obtained prior to the time that the Offer is scheduled to terminate, unless such approval has been denied, Cyries has agreed to extend the Offer for a period of not less than 10 days past the Initial Expiry Time pending receipt of such approval.

Non-Completion Fee

Dual has agreed to pay to Cyries a non-completion fee of \$2 million within 24 hours after the first to occur of any of the following events (provided there is no material breach or non-performance by Cyries of a material provision of the Acquisition Agreement):

- (a) the board of directors of Dual shall or shall resolve to: (1) fail to make any of its recommendations, approvals, resolutions or determinations as contemplated in the Acquisition Agreement; or (2) withdraw, modify or change any of its recommendations, approvals, resolutions or determinations as contemplated in the Acquisition Agreement in a manner adverse to Cyries; or (3) fail to publicly reaffirm its recommendation of the Offer within 10 days of the public announcement of another *bona fide* Take-over Proposal;
- (b) the board of directors of Dual shall have recommended that Dual's Shareholders deposit their Dual Shares under, vote in favour of, or otherwise accept, a Take-over Proposal or shall resolve to do so;
- (c) Dual shall have entered into any agreement with any person providing for a Take-over Proposal prior to the Expiry Time of the Offer, excluding a confidentiality agreement entered into in compliance with the Acquisition Agreement ; or
- (d) a Take-over Proposal is publicly announced, proposed, offered or made to Dual's Shareholders prior to the Expiry Time, and at the Expiry Time the Minimum Condition has not been satisfied.

In the event that a Take-over Proposal is publicly announced or made as contemplated by subsection (d) above, Dual agrees to deliver to Cyries within three (3) Business Days, an irrevocable letter of credit, in form and substance satisfactory to Cyries, payable by a Canadian chartered bank in the amount of the non-completion fee. Any payment of the non-completion fee by Dual as described above shall be without prejudice to the rights or remedies available to Cyries upon the breach of any provision of the Acquisition Agreement.

Board of Directors of Dual

Dual has agreed that within 24 hours following the acquisition by Cyries of more than the Minimum Required Shares, Dual shall assist Cyries to obtain the resignations of all Dual

directors and to use its best efforts to cause the appointment of Cyries nominees to fill the vacancies created.

Compulsory Acquisition or Subsequent Acquisition Transaction

Pursuant to the Acquisition Agreement, if Cyries takes up and pays for, or otherwise acquires, directly or indirectly at least the Minimum Required Shares pursuant to the terms of the Offer, Cyries has agreed to use all commercially reasonable efforts to acquire, and Dual has agreed to use all commercially reasonable efforts to support and assist Cyries in acquiring, the balance of the Dual Shares as soon as practicable and in any event within a period of six months following the Take-up Date by way of a Second Stage Transaction carried out for consideration per Dual Share at least equal in value to and in the same form as the Offered Consideration. Nothing in the Acquisition Agreement prevents Cyries from acquiring, directly or indirectly, additional Dual Shares in privately negotiated transactions, in another take-over bid, tender or exchange offer, or otherwise in accordance with applicable securities laws (including by way of compulsory acquisition) following completion of the Offer.

Termination

The Acquisition Agreement may be terminated by written notice given to the other Party, at any time prior to the time that the Offeror first takes-up and pays for Dual Shares:

- (a) by mutual written consent of Cyries and Dual;
- (b) by Cyries if the conditions to the Offer have not been satisfied or waived by Cyries on or before the Expiry Time;
- (c) by either Cyries or Dual if a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission 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 the Acquisition Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the Party seeking to terminate the Acquisition Agreement pursuant to this section shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction;
- (d) by either Cyries or Dual if any representation or warranty by the other Party contained in the Acquisition Agreement shall have been determined by Cyries or Dual to be materially inaccurate (or, in the case of representations and warranties that are themselves qualified by a materiality limitation, determined to be inaccurate) or if either Cyries or Dual determines the other Party has breached or failed to comply with, in any material respect, any of its covenants or obligations contained in the Acquisition Agreement;
- (e) by either Cyries or Dual if the non-completion fee described herein becomes payable (provided that for the purposes of a termination by Dual, Dual must have first paid the non-completion fee described herein);
- (f) by either Cyries or Dual if the Take-up Date has not occurred within 90 days following the Initial Expiry Time; or
- (g) by Dual if the board of directors of Cyries accepts, approves or recommends or enters into any agreement, undertaking or arrangement in respect of any proposal or offer by a third person to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of Cyries' assets or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 20% of the outstanding

common shares of Cyries whether by way of a take-over bid, arrangement, amalgamation, merger, consolidation or other business combination.

Lock-Up Agreements

Cyries has entered into Lock-up Agreements pursuant to which certain of the directors and officers of Dual have agreed to tender pursuant to the Offer and not withdraw, except in certain circumstances, the Dual Shares beneficially owned by them and all Dual Shares they shall acquire at least five days before the Initial Expiry Time pursuant to the exercise of Dual Options and Dual Warrants, representing an aggregate of 9,579,577 Dual Shares (which includes Dual Shares issuable upon exercise of "in-the-money" Dual Options and Dual Warrants held by the Locked-up Securityholders) or approximately 27.5% of the currently issued and outstanding Dual Shares (calculated on a diluted basis).

The directors and officers that have entered into Lock-Up Agreements with Cyries are entitled to withdraw all of the Dual Shares deposited pursuant to the Offer in the event that the Acquisition Agreement is terminated in accordance with its terms.

Offer and Circular

Cyries has agreed to mail the Offer as soon as practicable and in any event not later than October 31, 2006. The Offer will be open for thirty-five (35) days from the date of mailing, unless extended by Cyries, and is conditional upon, among other conditions, at least 66 2/3% of the outstanding Dual shares being validly deposited and not withdrawn under the Offer and receipt of all necessary regulatory approvals.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:

Not Applicable

7. Omitted Information:

Not Applicable

8. Executive Officer:

The name and business number of the executive officer of Dual Exploration Inc. who is knowledgeable about the material change and this report is:

Martin Cheyne, Chief Executive Officer
Dual Exploration Inc.
1400, 333 - 5th Avenue S.W.
Calgary, AB T2P 3B6
Telephone: (403) 233-7778

9. Date of Report:

October 13, 2006.

SCHEDULE "A"

ACQUISITION AGREEMENT

Between

CYRIES ENERGY INC.

and

DUAL EXPLORATION INC.

October 4, 2006

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ACQUISITION AGREEMENT

THIS AGREEMENT made the 4th day of October, 2006,

BETWEEN:

CYRIES ENERGY INC., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Cyries**")

- and -

DUAL EXPLORATION INC., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Dual**")

RECITALS

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

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 *Business Corporations Act* (Alberta), as the same has been and may hereafter, from time to time, be amended;

"**Affiliates**" has the meaning set forth in the Act;

"**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;

"**Business Day**" means any day excepting a Saturday, Sunday or statutory or civic holiday in Calgary, Alberta;

"**Conditional Securities Exercise**" has the meaning set forth in Section 2.5;

"**Cyries Governing Documents**" means the certificate and articles of incorporation or amalgamation, as the case may be, and by-laws of Cyries, as amended;

"**Dealer Manager**" has the meaning set forth in Section 3.2;

"diluted basis" means, with respect to the number of outstanding Dual Shares at any time, such number of outstanding Dual Shares calculated assuming that all outstanding Dual Options and Dual Warrants are exercised regardless of the exercise price thereof;

"Disclosure Letter" means the letter of Dual dated October 4th, 2006 delivered concurrently with the execution of this Agreement;

"Dual Governing Documents" means the certificate and articles of incorporation or amalgamation, as the case may be, and by-laws of Dual, as amended;

"Dual Options" means the outstanding options to acquire Dual Shares under the Stock Option Plan;

"Dual Shareholders" means the registered holders of Dual Shares from time to time;

"Dual Shares" means common shares in the capital of Dual;

"Dual Warrants" means the warrants to acquire Dual Shares issued by Dual on July 1, 2005;

"Effective Time" means the time that Cyries 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 Dual 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, vacation pay 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 Dual to directors, officers or employees: (i) for severance or termination payments on the change of control of Dual pursuant to any executive involuntary severance and termination agreements in the case of officers and pursuant to Dual's severance policy in the case of employees; (ii) for retention bonus payments pursuant to any retention bonus program or executive employment agreement and (iii) payments with respect to any share appreciation rights, participating performance units or similar plans;

"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;

"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 Dual (where the first day of this period is the day immediately following the day of mailing) or such earlier time as permitted under Securities Laws;

"Lock-up Agreement" means an agreement, in the form attached hereto as Schedule B or such other form as Cyries and a Dual Shareholder may agree;

"Mailing Date" means the date the Offer is sent to all of the persons to whom the Offer is made;

"Material Adverse Change" means any change (or any condition, event or development involving a prospective change) in the business, operations, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, liabilities, prospects or privileges, whether contractual or otherwise, of a Party which is materially adverse to the business of that Party, but "Material Adverse Change" shall not include a change resulting from: (i) a matter that has prior to the

date hereof been publicly disclosed or otherwise disclosed in the Disclosure Letter; (ii) conditions affecting the oil and gas industry including, without limitation, changes in commodity prices or taxes; or (iii) general economic, financial, currency exchange, securities or commodity market conditions in North America including, without limitation, changes in currency exchange rates;

"Material Adverse Effect" means any effect that is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, liabilities, prospects or privileges, whether contractual or otherwise of a Party, but "Material Adverse Effect" shall not include an effect resulting from: (i) a matter that has prior to the date hereof been publicly disclosed or otherwise disclosed in the Disclosure Letter; (ii) conditions affecting the oil and gas industry including, without limitation, changes in commodity prices or taxes; or (iii) general economic, financial, currency exchange, securities or commodity market conditions in North America including, without limitation, changes in currency exchange rates;

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

"Minimum Required Shares" means that number of the outstanding Dual Shares required pursuant to the Minimum Condition unless Cyries shall have waived the Minimum Condition in which case "Minimum Required Shares" means the number of outstanding Dual Shares which Cyries takes up on the Take-up Date, provided that such number of Dual Shares shall not in any circumstance be less than 50% of the issued and outstanding Dual Shares on a diluted basis;

"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);

"Party" means Dual or Cyries, as applicable, and **"Parties"** means both Dual and Cyries together;

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

"Representatives" has the meaning set forth in Section 5.1;

"SEC" means the United States Securities and Exchange Commission;

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

"Securities Authorities" means the TSX and the securities commissions or similar regulatory authorities in Canada and each of the provinces and territories thereof and, as applicable, in the United States and each of the states thereof;

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

"Stock Option Plan" means the Stock Option Plan of Dual approved by the board of directors of Dual;

"subsidiary" has the meaning set forth in the Act;

"Superior Take-over Proposal" means any *bona fide* written Take-over Proposal which, in the opinion of Dual's board of directors, acting reasonably and in good faith and after consultation with its legal and financial advisors, is likely to be completed on its terms 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, if consummated, would be superior to the Offer from a financial point of view to Dual Shareholders;

"Take-over Proposal" means a proposal or offer by a third party in writing, or by public announcement, to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of Dual 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 Dual 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 Dual, tender offer or exchange offer or similar transaction involving Dual 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 Dual or to acquire in any manner, directly or indirectly, more than 20% of the outstanding voting shares of Dual (other than the transactions contemplated by this Agreement);

"Take-up Date" means the date that Cyries first takes up and acquires Dual Shares pursuant to the Offer;

"Taxes" has the meaning set out in Section 8.24(a);

"Third Party Beneficiaries" has the meaning set out in Section 11.5;

"TSX" means the Toronto Stock Exchange;

"U.S. Exchange Act" means the United States *Securities Exchange Act of 1934*, as amended, including the rules and regulations promulgated thereunder; and

"U.S. Securities Act" means the United States *Securities Act of 1933*, as amended, including the rules and regulations promulgated thereunder; and

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 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 Lock-up Agreement

ARTICLE 2 THE OFFER

2.1 The Offer

- (a) Subject to the terms and conditions of this Agreement, Cyries shall mail to holders of Dual Shares, Dual Options and Dual Warrants, as soon as practicable and in any event before 11:59 p.m. (Calgary time) on October 31, 2006, an offer to purchase all of the outstanding Dual Shares, which includes all Dual Shares which may become outstanding after the date of the Offer on exercise of Dual Options and Dual Warrants on the basis of 0.167 of a common share of Cyries for each Dual Share (the "Purchase Consideration") which offer shall be made in accordance with this Agreement, Securities Laws and the Act and be subject only to the conditions set forth in Schedule A hereto (the "Offer", which term shall include any one or more amendments or variations to, or extensions of, such Offer, including, without limitation, increasing the consideration, removing or waiving any condition or

extending the date by which Dual Shares may be tendered, all in accordance with this Agreement). Notwithstanding the foregoing, the Offer may provide that the Offer is only being made in jurisdictions where permitted and that common shares of Cyries will only be delivered to holders of Dual Shares outside Canada if it can be done so in compliance with the Securities Laws of such jurisdiction(s) and provided that it does not require the filing of any prospectus, registration statement or similar document by Cyries or result in any reporting obligations of Cyries in such jurisdiction(s). The Offer Documents shall be prepared in both the English and French languages, if required by applicable law, in accordance with Securities Laws and other applicable laws. Cyries shall provide Dual with a draft copy of the Offer Documents prior to mailing and shall provide Dual with a reasonable opportunity to review and provide any comments thereon.

- (b) Cyries may make the Offer itself or through one or more direct or indirect wholly-owned subsidiaries of either, or any combination thereof. In the event that any of those entities makes or participates in the making of the Offer, the term "Cyries" as used herein shall include all of those entities, other than in Article 7 where the term Cyries shall not include such entities.
- (c) The Offer shall expire on the Initial Expiry Time, except that the Offer may be extended by Cyries, in its sole discretion, 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 required regulatory approval is not obtained prior to the Initial Expiry Time, unless such approval has been denied, Cyries will extend the Offer for a period of not less than ten (10) days following the Initial Expiry Time.
- (d) Subject to the satisfaction or waiver of the conditions set forth in Schedule A, Cyries shall as soon as possible and in any event within three Business Days of the Expiry Date, take-up all Dual Shares validly deposited (and not properly withdrawn) pursuant to the Offer and issue the appropriate number of common shares of Cyries as payment in accordance with the terms of the Offer and applicable Securities Laws.
- (e) It is agreed that Cyries may, in its sole discretion:
 - (i) waive any term or condition of the Offer for its benefit provided that if Cyries takes up and pays for any Dual Shares, it shall acquire not less than the Minimum Required Shares;
 - (ii) vary any term or condition of the Offer, provided that Cyries shall not without the prior written consent of Dual, acting reasonably: (A) reduce the number of Dual Shares for which the Offer is made; (B) decrease or change the form of the consideration to be paid for each Dual Share; or (C) materially amend the Offer or modify the conditions to the Offer in a manner that is, in either case, adverse to the holders of Dual Shares provided that 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, adverse to the holders of Dual Shares.

- (f) The obligation of Cyries to make the Offer shall be conditional upon the following:
- (i) no Material Adverse Change in respect of Dual shall have occurred, and no other event shall have occurred or circumstance shall exist which would make it impossible or impracticable, in the sole discretion of Cyries, acting reasonably, to satisfy one or more of the conditions of the Offer described in Schedule A;
 - (ii) as at the date that the Offer is to be made, Cyries shall not have determined that: (A) Dual breached, or failed to comply with, in any material respect, any of its covenants or obligations under this Agreement, or (B) any representation or warranty of Dual contained in this Agreement is materially inaccurate (or where such representation or warranty is qualified by a materiality limitation, is inaccurate).
 - (iii) the board of directors of Dual shall not have withdrawn, redefined, modified or changed any of its recommendations, approvals, resolutions, or determinations referred to in Section 2.2; and
 - (iv) the due execution and delivery to Cyries, concurrently with execution of this Agreement, of Lock-up Agreements in respect of not less than 27% of the outstanding Dual Shares (on a diluted basis), including all the Dual Shares of the directors and officers of Dual.

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

- (g) The number of common shares of Cyries issuable for each Dual Share under the Offer shall be adjusted as necessary to account for any stock splits, stock consolidations, recapitalizations and similar transactions affecting either the common shares of Cyries or the Dual Shares prior to the time Cyries takes up and pays for any Dual Shares under the Offer.
- (h) No fractional common shares of Cyries will be issued pursuant to the Offer. Any fractional number of common shares of Cyries equal to or greater than 0.5 will be rounded up to the nearest whole number and less than 0.5 will be rounded down to the nearest whole number. In calculating such fractional interest, all Dual Shares held by a registered holder shall be aggregated.

2.2 Dual Directors' Circular

- (a) Dual hereby consents to the Offer as set forth in Section 2.1(a) and represents and warrants to Cyries that its board of directors has received an opinion from Clarus Securities Inc. 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 Dual Shares is fair, from a financial point of view, to such holders and, after consultation with its legal and financial advisors, has determined unanimously that: (i) the Offer is fair to the holders of Dual

Shares and is in the best interests of Dual and the holders of Dual Shares; and (ii) it will recommend acceptance of the Offer by the holders of Dual Shares, subject to Section 5.2, 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, Dual covenants to cooperate with Cyries and to take all reasonable action to support the Offer.

- (b) Dual shall prepare and file a directors' circular in accordance with Securities Laws and the Act. The directors' circular will set forth (among other things) the unanimous recommendation of the board of directors of Dual as described above. Dual shall provide Cyries with a draft copy of the directors' circular prior to mailing and shall provide Cyries with a reasonable opportunity to review and provide any comments thereon. Dual shall mail the directors' circular on the same date that Cyries mails a take-over bid circular respecting the Offer to the holders of Dual Shares and Dual shall include the directors' circular in the same package as the Offer Documents. The directors' circular shall reflect the obligations of the directors and officers to deposit their respective Dual Shares pursuant to the Offer.
- (c) The board of directors of Dual may only withdraw, modify or change any recommendation with respect to the Offer as permitted under Section 5.2 or, in the event this Agreement is terminated prior to such withdrawal, modification or change.

2.3 Offer Documents

- (a) Within the time periods required by this Agreement and by law, Cyries 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"). The Offer Documents and any amendments and supplements thereto, when filed with Securities Authorities and the Director under the Act and when mailed to holders of Dual Shares, shall contain all information which is required to be included therein in accordance with the Act and any applicable Canadian provincial securities laws, rules and regulations, and any other applicable securities laws, including, without limitation, the U.S. Exchange Act (collectively, the "Securities Laws").
- (b) Dual agrees to provide such reasonable assistance as Cyries or its agents may reasonably request in connection with communicating the Offer Documents (and any amendments and supplements thereto) to the holders of the Dual Shares and to such other persons as are entitled to receive the Offer Documents under Securities Laws, including using its reasonable commercial efforts to provide or cause to be provided all necessary lists of the holders of Dual Shares (including depository participant break-out lists) and of the holders of Dual Options, Dual Warrants and other securities convertible into or exchangeable for, or other rights to acquire, Dual Shares (to the extent known by Dual) including names, addresses and numbers of Dual Shares or such other securities as soon as possible after the date of this Agreement but in any event no later than 5:00 p.m. (Calgary time) on October 31, 2006 (as well

as providing mailing labels on October 31, 2006) and updates or supplements thereto from time to time as may be reasonably requested by Cyries.

2.4 Outstanding Stock Options and Warrants

Dual agrees and represents to Cyries that Dual's board of directors has:

- (a) directed Dual to use its best efforts to ensure all persons holding Dual Options or Dual Warrants either:
 - (i) exercise those Dual Options or Dual Warrants and tender all Dual Shares issued in connection therewith to the Offer; or
 - (ii) terminate their rights to exercise any of those Dual Options or Dual Warrants; prior to the Expiry Time; and
- (b) authorized and directed Dual to:
 - (i) cause the vesting of entitlements under the Stock Option Plan and the Dual Warrants to accelerate, such that all outstanding Dual Options and Dual Warrants shall be exercisable and fully vested concurrent with the Initial Expiry Time; and
 - (ii) satisfy all other obligations of Dual under the plans referred to above or, upon the acquisition by Cyries of Dual Shares pursuant to the Offer, to cause all entitlements under such plans to terminate;

and Dual agrees to apply for all consents and authorizations required in connection with the foregoing, including any exemptions or consents required from any Securities Authority in connection with any amendments to the Stock Option Plan or the Dual Warrants required in connection with the foregoing and that all proceeds from the exercise of Dual Options or Dual Warrants shall be retained by Dual.

2.5 Conditional Securities Exercise

It is agreed by Cyries that all Dual Options or Dual Warrants which have been tendered to Dual for exercise, conditional on Cyries taking up Dual Shares under the Offer ("Conditional Securities Exercise") shall be deemed to have been exercised concurrently with the take-up of Dual Shares by Cyries. Furthermore, Cyries shall accept as validly tendered under the Offer as of the Take-up Date all Dual Shares which are to be issued pursuant to the Conditional Securities Exercise, provided that the holders of such Dual Options and Dual Warrants indicate that such Dual Shares are tendered pursuant to the Offer.

2.6 Exercise of Stock Options and Warrants

Cyries agrees to cooperate with Dual to facilitate the exercise of Dual Options and Dual Warrants and the deposit of all Dual Shares issued in connection therewith prior to the Expiry Time pursuant to the Offer.

ARTICLE 3 PUBLICITY AND SOLICITATION

3.1 Publicity

Each of Dual and Cyries shall issue a press release each of which shall be in a mutually agreed form, acting reasonably, as soon as practicable after the signing of this Agreement. Each of Dual and Cyries 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 each of Dual and Cyries as soon as possible after the issuance of its press release (and in any event within the time periods set out in the Securities Laws).

Each of Cyries and Dual shall receive the prior consent, not to be unreasonably withheld, of the other Party prior to issuing, or permitting any of its subsidiaries (if applicable), directors, officers, employees or agents to issue, any press release or other written statement to the press 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. Cyries and Dual 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 the TSX, but only after using its reasonable commercial 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

Cyries may appoint a financial advisor and may appoint a soliciting dealer or dealer manager (the "Dealer Manager") in connection with the Offer and to solicit acceptances of the Offer. The Dealer Manager will, if appointed, form a soliciting dealer group comprised of members of the Investment Dealers Association of Canada and of the stock exchanges in Canada to solicit acceptances of the Offer in accordance with Securities Laws at Cyries' 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 Cyries of a material provision of this Agreement):

- (a) the board of directors of Dual 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, modify or change any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2 in a manner adverse to Cyries; or (3) fail to publicly reaffirm its recommendation of the Offer within 10 days of the public announcement of another *bona fide* Take-over Proposal; or
- (b) the board of directors of Dual shall recommend that holders of Dual Shares deposit their Dual Shares under, vote in favour of or otherwise accept a Take-over Proposal or shall resolve to do so; or

- (c) Dual shall enter into an agreement (other than a confidentiality agreement referred to in Section 5.2) with any person providing for a Take-over Proposal prior to the Expiry Time; or
- (d) a Take-over Proposal is publicly announced or is proposed, offered or made to the Dual Shareholders prior to the Expiry Time, and at the Expiry Time the Minimum Condition has not been satisfied;

then Dual shall, within twenty-four hours after the first to occur of the events described above, pay to Cyries the amount of \$2,000,000 (the "Non-Completion Fee"). On the date of the earliest such event, Dual shall be deemed to hold such sum in trust for Cyries. Such payment shall be made in immediately available funds to an account designated by Cyries. Any payment pursuant to Section 4.1 shall be without prejudice to the rights or remedies available to Cyries upon the breach of any provision of this Agreement.

In the event that a Take-over Proposal is publicly announced or made, as contemplated by Section 4.1(d), Dual agrees, within three Business Days thereof to deliver to Cyries an irrevocable letter of credit in form and substance satisfactory to Cyries, payable by a Canadian chartered bank in the amount of the Non-Completion Fee and which may be immediately drawn upon by Cyries if the Non-Completion Fee is payable or such other form of security as is satisfactory to Cyries acting reasonably. Cyries acknowledges and agrees that such a letter of credit will not be available prior to a Take-over Proposal being announced or made.

For greater certainty, Dual shall not be obligated to make more than one payment under Section 4.1 if one or more of the events specified therein occurs.

ARTICLE 5

NO SOLICITATION

5.1 Cease Existing Discussions

Dual shall immediately cease and cause to be terminated all existing discussions, solicitations, initiations, encouragements and negotiations, if any, with any parties (other than Cyries or its affiliates) conducted on or before the date of this Agreement by Dual or its officers, directors, employees, financial advisors, legal counsel, representatives or agents ("Representatives") with respect to any actual or potential Take-over Proposal. Dual shall immediately following the entering into of this Agreement send a letter to all parties who have had discussions or negotiations or who have entered into confidentiality agreements with Dual pertaining to any actual or potential Take-over Proposal and shall use reasonable efforts to have all materials provided to such parties by Dual, or prepared by such parties in respect of Dual, destroyed or returned to Dual or its Representatives as the case may be, in accordance with the terms of the confidentiality agreements with such parties. Dual shall immediately advise Cyries 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 No Solicitation

- (a) After the date hereof, Dual will not and will not authorize or permit any of its Representatives to, directly or indirectly:
- (i) solicit, initiate or encourage, or engage in or continue any discussions or negotiations or participate in or take any other action in respect of, or which may reasonably be expected to lead to, a Take-over Proposal;
 - (ii) provide or furnish to any party any information concerning Dual and its business, properties and assets in respect of, or which may reasonably be expected to lead to, a Take-over Proposal;
 - (iii) accept, recommend, approve or enter into any agreement to implement a Take-over Proposal; or
 - (iv) release any party from any confidentiality or standstill agreement between Dual and such party or amend any such agreement;

provided however Dual may:

- (i) engage in discussions or negotiations with any party who (without any solicitation, initiation or encouragement, directly or indirectly, by Dual or its Representatives after the date hereof) seeks to initiate such discussions or negotiations, provide or furnish such party with information concerning Dual and its business, properties and assets and participate in or take any other action if such party has first made a *bona fide* written Take-over Proposal and the board of directors of Dual determines such Take-over Proposal is a Superior Take-over Proposal and further determines in good faith, after considering applicable law and receiving the advice of outside legal counsel that such action is necessary in order for the Dual board of directors to comply with its fiduciary duties under applicable law;
- (ii) comply with applicable rules under Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect to any such Take-over Proposal to holders of Dual Shares; or
- (iii) accept, recommend, approve or enter into any agreement to implement a Superior Take-over Proposal and release the party making the Superior Take-over Proposal from any standstill provisions but only if prior to such acceptance, recommendation, approval or entering into of an agreement or release, Dual's board of directors shall have concluded in good faith, after considering the provisions of applicable law and after giving effect to all proposals to adjust the terms and conditions of this Agreement and the Offer which may be offered by Cyries during the 72 hour period set forth in Section 5.2(b) hereof and after receiving the advice of outside counsel that such action is necessary in order for the Dual board of directors to comply with its fiduciary duties under applicable law.

- (b) Neither Dual nor its Representatives shall provide or furnish any information to any party in accordance with Section 5.2(a) unless Dual shall have entered into a confidentiality and standstill agreement with such party containing customary terms and conditions following which Dual shall immediately provide Cyries with any information provided to any such other party and which had not previously been provided to Cyries. Upon receipt of a Take-over Proposal, Dual agrees to provide immediate notice thereof to Cyries and shall provide Cyries with a copy or written description of any such Take-over Proposal and any amendments thereto. Dual agrees to notify Cyries immediately if the board of directors of Dual determines that any *bona fide* written Take-over Proposal constitutes a Superior Take-over Proposal. For a period of 72 hours from the time that Dual notifies Cyries of the fact that the board has determined a *bona fide* written Take-over Proposal constitutes a Superior Take-over Proposal, the board of directors of Dual agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Take-over Proposal and not to release the party making the Superior Take-over Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Offer. In addition, during such 72 hour period Dual shall and shall cause its respective financial and legal advisors to, negotiate in good faith with Cyries to make such adjustments in the terms and conditions of this Agreement and the Offer as would enable Cyries to proceed with the Offer as amended rather than the Superior Take-over Proposal. In the event Cyries proposes to amend this Agreement and the Offer to provide that the holders of Dual Shares shall receive a value per Dual Share equal to or having a value greater than the value per Dual Share provided in the Superior Take-over Proposal and so advises the board of directors of Dual prior to the expiry of such 72 hour period, the board of directors of Dual shall not accept, recommend, approve or enter into any agreement to implement such Superior Take-over Proposal and shall not release the party making the Superior Take-over Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Offer.
- (c) Dual shall ensure that its Representatives are aware of the provisions of this Section 5.2, and Dual shall be responsible for any breach of this Section 5.2 by such Representatives.

ARTICLE 6

TRANSACTIONS FOLLOWING COMPLETION OF THE OFFER

6.1 Second Stage Transaction

If Cyries takes up and pays for, or otherwise acquires, directly or indirectly at least the Minimum Required Shares pursuant to the terms of the Offer, Cyries agrees to use all commercially reasonable efforts to acquire, and Dual agrees to use all commercially reasonable efforts to support and assist Cyries in acquiring, the balance of the Dual 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 consideration per Dual Share at least equal in value to and in the same form as the Purchase Consideration under the Offer. Nothing herein shall be construed to prevent Cyries from acquiring, directly or indirectly, additional Dual

Shares in the open market or in privately negotiated transactions or otherwise, in accordance with Securities Laws (including by way of compulsory acquisition) following completion of the Offer.

6.2 Dual Board of Directors

The board of directors of Dual, as soon as practicable and in any event within 24 hours following the acquisition by Cyries of more than the Minimum Required Shares pursuant to the Offer, shall be reconstituted through resignations of all existing Dual directors and the appointment of Cyries nominees in their stead. Dual shall, in accordance with the foregoing and subject to the provisions of the Act, assist Cyries to obtain the resignations of all Dual directors (and shall provide such directors with releases) to be effective at such time as may be required by Cyries and to use its best efforts to cause the appointment of the Cyries 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.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES OF CYRIES

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

7.1 Organization and Qualification

Cyries is a corporation duly formed and organized and validly existing under the laws of Province of Alberta and has the requisite power and authority to carry on its business as it is now being conducted. Cyries 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 Cyries on a consolidated basis

7.2 Authority Relative to this Agreement

Cyries 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 Cyries of the transactions contemplated hereby have been duly authorized by the board of directors of Cyries and no other proceedings on the part of Cyries 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 Cyries and constitutes the legal, valid and binding obligation of Cyries 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.

7.3 No Violations

- (a) None of the execution and delivery of this Agreement by Cyries, the consummation of the transactions contemplated hereby or compliance by Cyries 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 Cyries or any of its subsidiaries under, any of the terms, conditions or provisions of: (y) the Cyries Governing Documents; or (z) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Cyries 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 Cyries or any of its subsidiaries is bound; (ii) subject to compliance with the statutes and regulations referred to in Section 7.3(b), violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Cyries 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 Cyries 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 Cyries to consummate the transactions contemplated hereby.

- (b) Other than in connection with or in compliance with the provisions of Securities Laws, the rules of the TSX and the *Competition Act* (Canada), (i) there is no legal impediment to Cyries' 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 Cyries 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 Cyries to consummate the transactions contemplated hereby.

7.4 Capitalization

The authorized capital of Cyries consists of an unlimited number of common shares, an unlimited number of preferred shares, issuable in series, and up to 605,285 Class B performance shares. As at the date of this agreement, there are issued and outstanding (i) 41,118,824 common shares of Cyries, (ii) options to purchase an aggregate of 3,421,001 common shares of Cyries, (iii) 599,072 performance shares of Cyries, and (iv) warrants to acquire an aggregate of 3,963,640 common shares of Cyries. Except as described in the immediately preceding sentence there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments obligating Cyries to issue or sell any shares of Cyries or securities or obligations of any kind convertible into or exchangeable for any shares of Cyries.

7.5 No Material Adverse Change

Since December 31, 2005, and except as has been disclosed to Dual or its advisors or publicly disclosed in any document filed with the Securities Authorities on or prior to the date hereof there has not been any Material Adverse Change in respect of Cyries and its subsidiaries.

7.6 Information

All material data and information provided by Cyries to Dual or its advisors was accurate and correct in all material respects and did not omit any data or information necessary to make any data or information provided, taken as a whole, misleading in any material respect.

7.7 Litigation, etc.

Except as has been publicly disclosed or disclosed in writing to Dual or its advisors prior to the date hereof, there is no claim, action, proceeding or investigation pending or, to the knowledge of Cyries, threatened or relating to Cyries or affecting any of its properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, is likely to have a Material Adverse Effect on Cyries or prevent or delay consummation of the transactions contemplated by this agreement or the Offer, nor is Cyries aware of any basis for any such claim, action, proceeding or investigation. Cyries is not subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect on Cyries or prevent or delay consummation of the transactions contemplated by this agreement or the Offer.

7.8 Financial Statements

The financial statements of Cyries fairly present, in accordance with Canadian generally accepted accounting principles (other than note disclosure in respect of financial statements that are unaudited), consistently applied, the financial position and condition of Cyries at the dates thereof and the results of the operations of Cyries for the periods then ended and reflect all assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Cyries as at the dates thereof.

7.9 Minute Books

The corporate records and minute books of Cyries have been maintained in accordance with all applicable statutory requirements and are true, correct, accurate and up-to-date in all material respects.

7.10 Reporting Issuer

Cyries is a "reporting issuer" in compliance in all material respects with all Securities Laws of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and the rules and policies of the TSX and the common shares of Cyries are only listed on the TSX.

7.11 No Cease Trade Orders

No securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Cyries and Cyries is not in material default of any requirement of the Securities Laws that would have a Material Adverse Effect on the transactions contemplated by this Agreement.

7.12 Common Shares to be Issued

The board of directors of Cyries has reserved and allotted to holders of Dual Shares that accept the Offer a sufficient number of common shares of Cyries as are issuable pursuant to the Offer

and, upon acceptance of the Offer in accordance with the terms thereof, such common shares of Cyries will be validly issued as fully paid and non-assessable to previous holders of Dual Shares that accept the Offer in accordance with the terms thereof.

7.13 U.S. Securities Law Matters

Cyries is a "foreign private issuer" within the meaning of Rule 405 of Regulation C adopted by the SEC under the U.S. Securities Act and, to the knowledge of Cyries, has taken no action which would cause the exemption from registration provided by Rule 802 under the U.S. Securities Act to be unavailable for securities issued pursuant to the Offer or would otherwise cause Cyries to become a registrant under the U.S. Exchange Act.

7.14 Disclosure

All public filings made by Cyries under applicable Canadian disclosure laws (i) did not contain any untrue statement of a material fact (as defined in the *Securities Act* (Alberta)) 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 were made, not misleading in any material respect, and (ii) complied in all material respects with all applicable requirements of law, including the Securities Laws.

7.15 Conduct of Business

Since December 31, 2005 and except as disclosed in the public documents of Cyries filed pursuant to Securities Laws, previously disclosed to Dual or contemplated herein, Cyries and each of its subsidiaries 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, rules and regulations and, in particular, all applicable licensing, regulatory approvals and environmental legislation, regulations or by-laws or other requirements of any governmental or regulatory bodies applicable to Cyries or any of its subsidiaries in each jurisdiction in which they carry on business and hold licenses, regulatory approvals, registrations and qualifications material to their business and assets in all jurisdictions in which they carry on business which are necessary or desirable to carry on the business of Cyries or any of its subsidiaries, as now conducted, and where the failure to so conduct business or be in such compliance would have a Material Adverse Effect on Cyries and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on Cyries.

7.16 Reports

- (a) Cyries has filed on SEDAR or has previously delivered to Dual true and complete copies of: (i) Cyries' Information Circular relating to the annual and special meeting of shareholders held May 16, 2006 and 2005 Annual Report to shareholders; and (ii) all prospectuses or other offering documents used by Cyries in the offering of its securities or filed with Securities Authorities since December 31, 2005; and (iii) the audited consolidated financial statements of Cyries dated December 31, 2005 and the unaudited interim consolidated financial statements of Cyries for the six months ending June 30, 2006. As of their respective dates, such form, circular, statements, prospectuses and other offering documents (including all exhibits and schedules

thereto and documents incorporated by reference therein): (i) did 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 were made, not misleading, and (ii) complied in all material respects with all applicable requirements of law including the Securities Laws. The audited consolidated financial statements and unaudited interim financial statements of Cyries publicly issued by Cyries and the audited consolidated financial statements of Cyries as at December 31, 2005, previously delivered to Dual, or included or incorporated by reference in such form, circular, statements, prospectuses and other offering documents were prepared in accordance with generally accepted accounting principles in Canada (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Cyries' auditors; or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present the financial position, results of operations and changes in financial position of Cyries 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).

- (b) Cyries will during the term of this Agreement deliver to Dual 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 Dual, as to which Cyries 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 Cyries issued by Cyries or to be included in such reports and statements (excluding any information therein provided by Dual, as to which Cyries makes no representation) will be prepared in accordance with generally accepted accounting principles in Canada (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Cyries' auditors; or (ii) 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 Cyries 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).

7.17 Compliance with Law

Cyries and each of its subsidiaries has complied with and is in compliance with all laws and regulations applicable to the operation of its business, except where such non-compliance would not, considered individually or in the aggregate, have a Material Adverse Effect on Cyries or have a Material Adverse Effect on the ability of Cyries to consummate the transactions contemplated hereby.

7.18 Engineering Reports

Cyries has been provided engineering reports with respect to its properties (as estimated by Cyries' independent engineers) at December 31, 2005. Cyries made available to Gilbert Laustsen Jung Associates Ltd. ("GLJ"), prior to the issuance of their report (the "Cyries GLJ Report") dated March 8, 2006 and effective December 31, 2005, for the purpose of preparing the Cyries GLJ Report, all information requested by GLJ, which information, taken as a whole, did not contain any misrepresentation at the time such information was provided. Cyries has no knowledge of a Material Adverse Change in the information, taken as a whole, provided to GLJ since the date that such information was provided. Cyries believes that the Cyries GLJ Report reasonably presented the quantity and pre-tax present worth values of oil and gas reserves of Cyries as at December 31, 2005 based upon information available at the time the Cyries GLJ Report was prepared and the assumptions as to commodity prices and costs contained therein. The Cyries GLJ Report complies in all respects with requirements of National Instrument 51-101 ("NI 51-101") (including the requirements of the COGE Handbook (as defined therein)) and has been prepared or audited by a qualified reserves evaluator (determined in accordance with NI 51-101) and the results thereof have been disclosed in accordance with NI 51-101.

7.19 Title

Cyries is not aware of any defects, failures or impairments in the title of Cyries or any of its subsidiaries to its oil and gas properties or its wells and facilities, which in aggregate could have a Material Adverse Effect on Cyries.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES OF DUAL

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

8.1 Organization and Qualification

Dual is a corporation duly incorporated and organized and validly existing under the laws of its jurisdiction of incorporation and has the requisite corporate power and authority to own its properties and conduct its business as now owned and conducted. Dual 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 Dual on a consolidated basis.

8.2 Authority Relative to this Agreement

Dual 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 Dual's board of directors, and no other corporate proceedings on the part of Dual are necessary to authorize this Agreement (except for obtaining any applicable shareholder approval in respect of any Second Stage Transaction, as applicable) and the transactions contemplated hereby. This Agreement has been duly executed and

delivered by Dual and constitutes the legal, valid and binding obligation of Dual enforceable against Dual 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.

8.3 No Violations

- (a) Except as set out in the Disclosure Letter, none of the execution and delivery of this Agreement by Dual, the consummation of the transactions contemplated hereby or the compliance by Dual with any of the provisions hereof will: (i) violate, conflict with, or result in the 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 Dual under, any of the terms, conditions or provisions of: (x) the Dual 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 Dual is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Dual is bound; (ii) subject to compliance with the statutes and regulations referred to in Section 8.3(b), violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Dual (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 on the business, operations or financial condition of Dual or on the ability of Dual 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 business, operations or financial condition of Dual.
- (b) Other than in connection with or in compliance with the provisions of Securities Laws, and the rules of the TSX and the *Competition Act* (Canada): (i) there is no legal impediment to Dual'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 Dual in connection with the making or the consummation by Cyries 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 Dual or the ability of Dual 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 Dual, or to the knowledge of Dual, 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, in any way limit the business or operations of Dual or its subsidiaries: (i) in a particular manner or to a particular locality or geographic region; or (ii) for a limited period of time.

- (d) The execution, delivery and performance of this Agreement does not and will not result in the restriction of Dual from engaging in their respective businesses or from competing with any person or in any geographical area and do not and will not result in a Material Adverse Effect on their respective businesses or trigger or cause to arise any rights of any person under any contract or arrangement to restrict any of the foregoing from engaging in the business currently carried on by Dual.

8.4 Capitalization

As of the date hereof, the authorized share capital of Dual consists of an unlimited number of Dual Shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares. As of the date hereof, only 30,876,163 Dual Shares are issued and outstanding. As of the date hereof, 696,600 Dual Shares are issuable pursuant to the exercise of outstanding Dual Options and 3,176,786 Dual Shares are issuable pursuant to the exercise of outstanding Dual Warrants. Except as set forth in the immediately preceding sentence, there are no options, puts, calls, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Dual of any shares of Dual (including Dual Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Dual (including Dual Shares), 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 Dual. All outstanding Dual 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 Dual Shares issuable upon exercise of outstanding Dual Options and Dual Warrants 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.

8.5 No Material Adverse Change

Since December 31, 2005, there has not been any Material Adverse Change in respect of Dual that has not been publicly disclosed.

8.6 Information

All data and information provided by Dual to Cyries and its agents and representatives is complete and true and correct in all material respects and does not omit any data or information necessary to make the data and information provided, taken as a whole, not misleading in any material respect.

8.7 Disclosure

All public filings made by Dual under applicable Canadian disclosure laws (i) did not contain any untrue statement of a material fact (as defined in the *Securities Act* (Alberta)) 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 were made, not misleading in any material respect, and (ii) complied in all material respects with all applicable requirements of law, including the Securities Laws.

8.8 No Undisclosed Material Liabilities

Except: (a) as disclosed or reflected in the audited consolidated financial statements of Dual as at December 31, 2005 previously delivered to Cyries; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business and consistent with past practice; (ii) pursuant to the terms of this Agreement; or (iii) publicly disclosed prior to the date hereof, Dual has not incurred any material liabilities of any nature, whether accrued, contingent or otherwise or which would be required by generally accepted accounting principles applicable in Canada to be reflected on a consolidated balance sheet of Dual as of the date hereof.

8.9 Financial Statements

The financial statements of Dual as at and for the six month period ended June 30, 2006 and as at and for the period ended December 31, 2005 fairly present, in accordance with Canadian generally accepted accounting principles (other than note disclosure in respect of financial statements that are unaudited), consistently applied, the financial position and condition of Dual at the dates thereof and the results of the operations of Dual for the periods then ended and reflect all assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Dual as at the dates thereof.

8.10 No Cease Trade Orders

No securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Dual and Dual is not in material default of any requirement of applicable Securities Laws that would have a Material Adverse Effect on the transactions contemplated by this Agreement.

8.11 Impairment

Neither the making nor the completion of the Offer will result in a Material Adverse Change in respect of Dual.

8.12 Debt and Working Capital

As at October 4, 2006, Dual's consolidated debt and its working capital deficiency does not exceed \$16 million.

8.13 Employee Obligations

There are no Employee Obligations other than those existing as of the date hereof and such Employee Obligations do not and will not exceed the amount set forth in the Disclosure Letter.

8.14 Brokerage Fees and Other Fees and Expenses

Dual 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 Clarus Securities Inc. has been retained as Dual's financial advisor in connection with certain matters including the transactions contemplated hereby. Dual has delivered to Cyries a true and complete copy of its agreement with and Dual hereby agrees not to amend such agreements without Cyries' consent. There are no fees payable to such advisors other than those disclosed in such agreement. All

other fees, expenses, costs and disbursements of Dual's professional advisors including but not limited to its legal counsel, auditors and engineers will not be greater than \$400,000 as at the date of the completion of the Offer.

8.15 Conduct of Business

Since December 31, 2005 and except as disclosed in the public documents of Dual filed pursuant to Securities Laws, set forth in the Disclosure Letter or contemplated herein, Dual 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, rules and regulations and, in particular, all applicable licensing, regulatory approvals and environmental legislation, regulations or by-laws or other requirements of any governmental or regulatory bodies applicable to Dual in each jurisdiction in which it carries on business and holds licenses, regulatory approvals, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of Dual, as now conducted, and where the failure to so conduct business or be in such compliance would have a Material Adverse Effect on Dual and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on Dual.

8.16 Reports

- (a) Dual has filed on SEDAR or has previously delivered to Cyries true and complete copies of: (i) Dual's Information Circular relating to the annual and special meeting of shareholders held May 23, 2006 and 2005 Annual Report to shareholders; and (ii) the audited consolidated financial statements of Dual dated December 31, 2005 and the unaudited interim consolidated financial statements of Dual for the six months ending June 30, 2006. As of their respective dates, such form, circular, statements, prospectuses and other offering documents (including all exhibits and schedules thereto and documents incorporated by reference therein): (i) did 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 were made, not misleading, and (ii) complied in all material respects with all applicable requirements of law including the Securities Laws. The audited consolidated financial statements and unaudited interim financial statements of Dual publicly issued by Dual and the audited consolidated financial statements of Dual as at December 31, 2005, previously delivered to Cyries, or included or incorporated by reference in such form, circular, statements, prospectuses and other offering documents were prepared in accordance with generally accepted accounting principles in Canada (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Dual's auditors; or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present the financial position, results of operations and changes in financial position of Dual 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).

- (b) Dual will during the term of this Agreement deliver to Cyries 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 Cyries, as to which Dual 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 Dual issued by Dual or to be included in such reports and statements (excluding any information therein provided by Cyries, as to which Dual makes no representation) will be prepared in accordance with generally accepted accounting principles in Canada (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Dual's auditors; or (ii) 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 Dual 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).

8.17 U.S. Law Matters

- (a) Dual is a "foreign private issuer" within the meaning of Rule 405 of Regulation C adopted by the SEC under the U.S. Securities Act.
- (b) At no time during the period commencing thirty (30) days prior to the date of this Agreement will "U.S. holders" (as defined in Rule 800 under the U.S. Securities Act) have held more than ten percent (10%) of the outstanding Dual Shares. For the purposes of calculating the percentage of outstanding Dual Shares held in the United States, any Dual Shares held by persons or entities holding ten (10%) or greater of the outstanding Dual Shares shall be excluded from such calculation.
- (c) Dual is not registered or required to be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.
- (d) Dual has not issued any securities into, or to residents of, the United States that at the time of issuance were not either registered or exempt from registration, under applicable United States federal or state securities laws.
- (e) Dual is not incorporated in the United States, and the principal offices of Dual are not located within the United States.
- (f) Dual does not hold more than US\$56.7 million worth of assets located in the United States, measured by fair market value, and has not made aggregate sales in or into the United States exceeding US\$56.7 million during its most recent completed fiscal year.

8.18 No Subsidiaries

Dual has no subsidiaries or any interest in any partnership, corporation or other business organization.

8.19 Books and Records

The corporate records and minute books of Dual 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 Dual and committees thereof held on or after August 9, 2006 and which have not yet been prepared.

8.20 Litigation, etc.

Except as set forth in the Disclosure Letter or as has been publicly disclosed prior to the date hereof, there is no claim, action, proceeding, inquiry or investigation pending or, to the knowledge of Dual, threatened against or relating to Dual or affecting any of its properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, is likely to have a Material Adverse Effect on Dual or prevent or materially delay consummation of the transactions contemplated by this Agreement or the Offer nor is Dual aware of any basis for any such claim, action, proceeding or investigation. Dual is not subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect on Dual or prevent or materially delay consummation of the transactions contemplated by this Agreement or the Offer.

8.21 Environmental

To the knowledge of Dual:

- (a) Dual is not in material 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) Dual has operated its respective business at all times and has generated, received, handled, used, stored, treated, shipped, recycled and disposed of all contaminants in material compliance with Environmental Laws;
- (c) there have been no material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes within Dual's ownership, possession or control, other than those which have been or are in the process of being rectified, on any of the real property owned or leased by Dual or on any other real property;
- (d) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes, within Dual'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 Dual;
- (e) no material orders, directions or notices have been threatened or have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or

assets of Dual other than abandonment and reclamation orders, directions or notices issued in connection with the normal course of business;

- (f) no event, matter, occurrence or circumstance with respect to environmental matters exists which could reasonably be expected to have a Material Adverse Effect on Dual; and
- (g) Dual, as of the date hereof, holds all material licenses, permits and regulatory approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets and all such licenses, permits and regulatory approvals are in full force and effect.

8.22 Notice of Environmental Policies or Laws

Dual has not received notice of any proposed environmental policies or laws which Dual reasonably believes would have a Material Adverse Effect on any oil and gas exploration, development or production operations of Dual, other than those that apply to the industry generally.

8.23 Insurance

Policies of insurance in force as of the date hereof naming Dual as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Dual as would be customary in respect of the businesses carried on by Dual or its subsidiaries. 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.

8.24 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 federal, provincial, territorial, state, local or foreign government or any agency or political subdivision of any such government, 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 Dual 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.

- (iii) The phrase "Flow-Through Subscription Agreements" means any subscription agreements entered into between Dual and the subscribers thereunder in respect of the issuance of shares of Dual on a flow-through basis for the purposes of the Tax Act.
- (b) **Returns Filed and Taxes Paid.** Except as set forth in the Disclosure Letter, all Returns required to be filed by or on behalf of Dual 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 Dual's financial statements, and no other Taxes are payable by Dual with respect to items or periods covered by such Returns.
- (c) **Tax Reserves.** For the period April 19, 2005 (Dual's date of inception) to December 31, 2005, Dual has paid all applicable Taxes or Dual has provided adequate accruals in its audited financial statements for the period April 19, 2005 to December 31, 2005 for all such unpaid Taxes. The audited financial statements for the period April 19, 2005 to December 31, 2005 disclose all deferred income taxes in conformity with generally accepted accounting principles applicable in Canada.
- (d) **Returns Furnished.** Except as set forth in the Disclosure Letter, for all periods ending on and after December 31, 2005, Cyries will be furnished by Dual on or before October 31, 2006 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 Dual.
- (e) **Tax Deficiencies, Audits, Statutes of Limitations.** Except as set forth in the Disclosure Letter, no material deficiencies exist or have been asserted with respect to Taxes of Dual. Dual is not party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Dual or any of its assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of Dual. The Returns of Dual have never been audited by a government or taxing authority, nor, to the knowledge of Dual, is any such audit in process, pending or threatened.
- (f) As of October 4, 2006, Dual has incurred \$593,562 of the \$3,080,000 of expenditures required to be incurred by Dual pursuant to the Flow-Through Subscription Agreements dated December 22, 2005 and nil of the \$5,580,000 in expenditures required to be incurred by Dual pursuant to the Flow-Through Subscription Agreements dated June 15, 2006.
- (g) The expenditures incurred by Dual for the purposes of renunciation to the subscribers under the Flow-Through Subscription Agreements qualified as "Canadian exploration expense" within the meaning of such term in subsection 66.1(6) of the Tax Act.
- (h) Dual has complied, and will continue to comply, with the representations, warranties and covenants of Dual contained in the Flow-Through Subscription Agreements.

8.25 Compliance with Law

Dual has complied with and is in compliance with all laws and regulations applicable to the operation of its business, except where such non-compliance would not, considered individually or in the aggregate, have a Material Adverse Effect on Dual or have a Material Adverse Effect on the ability of Dual to consummate the transactions contemplated hereby.

8.26 Employee Benefit Plans

Other than as set forth in the Disclosure Letter, Dual:

- (a) has no defined benefit plans or other employee benefit plans, and has not made any promises with respect to increased benefits under such plans;
- (b) has provided adequate accruals in its audited financial statements for the period April 19, 2005 to December 31, 2005 (or such amounts are fully funded) for all pension or other employee benefit obligations of Dual arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Dual as well as for any other payment required to be made by Dual in connection with the termination of employment or retirement of any employee of Dual in respect of the fiscal period ended December 31, 2005; and
- (c) has no stock option plans or arrangements other than the Stock Option Plan and, except as otherwise disclosed herein, is not otherwise a party to any agreement to provide any Dual Shares or other Dual securities (including any securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire Dual Shares) or to provide any options to acquire Dual Shares or any other Dual securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Dual Shares to any person other than pursuant to the Stock Option Plan and the Dual Warrants.

8.27 Employment Agreements

Except for contracts or arrangements set forth in the Disclosure Letter, Dual is not party to any employment agreement or to any written or oral policy, agreement, obligation or understanding or any amendment thereto of any nature whatsoever 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.

8.28 Reporting Issuer Status

Dual is a "reporting issuer" in compliance in all material respects with all Securities Laws of the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec and the rules and policies of the TSX and the Dual Shares are only listed on the TSX.

8.29 Shareholder Rights Plan

There is not in effect with respect to Dual, and prior to the Expiry Time Dual will not implement, any shareholder rights plan or any other form of plan, agreement, contract or instrument

that will trigger any rights to acquire Dual Shares or other securities of Dual or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the making of the Offer.

8.30 Engineering Reports

Dual has been provided engineering reports with respect to its properties (as estimated by Dual's independent engineers) at December 31, 2005. Dual made available to Sproule Associates Limited ("Sproule"), prior to the issuance of their report (the "Sproule Report") dated February 22, 2006 and effective December 31, 2005, for the purpose of preparing the Sproule Report, all information requested by Sproule, which information, taken as a whole, did not contain any misrepresentation at the time such information was provided. Sproule has no knowledge of a Material Adverse Change in the information, taken as a whole, provided to Sproule since the date that such information was provided. Dual believes that the Sproule Report reasonably presented the quantity and pre-tax present worth values of oil and gas reserves of Dual as at December 31, 2005 based upon information available at the time the Sproule Report was prepared and the assumptions as to commodity prices and costs contained therein. The Sproule Report complies in all respects with requirements of NI 51-101 (including the requirements of the COGE Handbook (as defined therein)) and has been prepared or audited by a qualified reserves evaluator (determined in accordance with NI 51-101) and the results thereof have been disclosed in accordance with NI 51-101.

8.31 Confidentiality Agreements

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

8.32 Title

Dual is not aware of any defects, failures or impairments in the title of Dual to its oil and gas properties or its wells and facilities, which in aggregate could have a Material Adverse Effect on Dual.

8.33 Material Agreements

All agreements, permits, licences, regulatory approvals, plans, certificates and other rights and authorizations material to the conduct of the business of Dual are valid and subsisting and Dual is not in material default under any such agreements, permits, licences, regulatory, approvals, plans, certificates and other rights and authorizations.

8.34 Value of Assets

Of the sum of \$52,209,916, being the aggregate value of all of Dual's assets as shown in its audited financial statements for the period ended December 31, 2005, less than \$50 million of such sum was attributable to the aggregate value of Dual's assets in Canada. Dual represents and warrants that for the purposes of the *Competition Act* (Canada), neither the aggregate value of the assets in Canada of Dual or corporations controlled by Dual nor the gross revenues from sales in or from Canada generated from Dual's assets exceeds \$50 million, all determined as of the day or annual period, as the case may be, and otherwise in accordance with the provisions contained in Part IX of the *Competition Act* (Canada) and the Notifiable Transactions Regulations promulgated thereunder.

ARTICLE 9 CONDUCT OF BUSINESS

9.1 Conduct of Business by Dual

Dual covenants and agrees that, during the period from the date of this Agreement until this Agreement is terminated in accordance with its terms, unless Cyries 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 Dual shall be conducted only in, and Dual shall not take any action except in, the usual and ordinary course of business consistent with past practice, and Dual shall use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships;
- (b) Dual shall not directly or indirectly do or permit to occur any of the following: (i) amend the Dual 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 or pledge or agree to issue, grant, sell or pledge any shares of Dual, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Dual, other than Dual Shares issuable pursuant to the exercise of the Dual Options or the Dual Warrants or as contemplated herein; (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities, including, without limitation, under any normal course issuer bid, other than Dual Options or the Dual Warrants in accordance with the terms of this Agreement; (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 Dual; or (vii) 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) other than pursuant to commitments entered into by Dual prior to the date of this Agreement and which have been set forth in Dual's annual budget of capital expenditures, operating expenses and general and administrative expenses as supplemented by forecast updates thereto or in the Disclosure Letter, Dual shall not directly or indirectly do any of the following: (i) sell, pledge, dispose of or encumber any assets, except in the ordinary course of business for a consideration in excess of \$100,000 in aggregate or incur any capital expenditure not contemplated in the expenditures budget for the period following the date hereof in excess of \$25,000 individually or \$100,000 in aggregate, or if contemplated in such budget, \$200,000 individually, or except for the sale of petroleum substances in the ordinary course of business and consistent with Dual's current marketing practices; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or, except for investments in securities for hedging purposes made in the ordinary course of business and in any event not in excess of \$25,000, make any investment either by purchase of shares or securities, contributions of capital, property transfer, or, except in the ordinary course of business, purchase of any property or assets of any other individual or entity; (iii) enter into any form of joint venture, farm-out or other

partnering arrangement; (iv) 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; (v) except for Employee Obligations as set forth in the Disclosure Letter, pay, discharge or satisfy any material 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; (vi) authorize, recommend or propose any release or relinquishment of any material contract right; (vii) 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; (viii) 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, except for investments in securities for hedging purposes made in the ordinary course of business and in any event not in excess of \$25,000; or (ix) 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) Dual shall use its reasonable commercial 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 Dual shall consult with Cyries regarding any renewal or extension of their insurance (or re-insurance) policies;
- (e) Dual shall:
 - (i) use its reasonable commercial 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;
 - (ii) 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;
 - (iii) promptly notify Cyries orally and in writing of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
 - (iv) confer, prior to taking action (other than in emergency situations) with Cyries with respect to all material operational matters involved in its business;

- (v) work to familiarize Cyries personnel with the nature and workings of all of its operational, accounting and land systems with the objective that Cyries personnel be able to continue the operation of all such systems following completion of the transactions contemplated herein; and
- (vi) 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) other than as contemplated herein, neither Dual nor its subsidiaries shall create any new Employee Obligations, neither Dual nor its subsidiaries shall grant to any officer or director an increase in compensation in any form, grant any general salary increase other than in accordance with the requirements of any existing collective bargaining or union contracts, grant to any other employee any increase in compensation in any form other than routine increases in the ordinary course of business consistent with past practices, make any loan to any officer or director, or take any action with respect to the grant of any severance or termination pay (other than as contemplated herein or as agreed to by Cyries, acting reasonably) arising from the Offer or a change of control of Dual or the entering into of any employment agreement with, any person, or with respect to any increase of benefits payable under its current severance or termination pay policies;
- (g) Dual shall not 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; and
- (h) Dual 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 Cyries

ARTICLE 10 COVENANTS OF DUAL

10.1 Access to Information

Subject to the existing confidentiality agreement between Dual and Cyries dated September 18, 2006, upon reasonable notice, Dual shall afford Cyries' 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 Cyries 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, Dual shall furnish promptly to Cyries all information concerning its business, properties and personnel as Cyries may reasonably request and shall review with Cyries personnel such of the records, systems and

processes with the objective of enabling Cyries personnel to assume the continuing operations of Dual upon the acquisition by Cyries of the Minimum Required Shares pursuant to the Offer. Dual expressly agrees that Cyries may designate an individual to attend at the offices of Dual once a week and to attend any formal joint venture meetings for the purposes set forth above and to consult with Cyries and approve actions or transactions for which the consent of Cyries is required hereunder. Dual agrees to keep Cyries 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 purchaser of the Dual Shares or a prudent operator of the business and operations of Dual, taken as a whole.

10.2 General Releases

Dual shall not pay out any Employee Obligations unless the applicable employee or officer has executed in favour of Dual, in consideration for the payment of the applicable portion of the Employee Obligations, a general release of all claims that such person may have against Dual, its directors, officers and employees.

10.3 Notice of Material Change

From the date hereof until the termination of this Agreement, Dual shall promptly notify Cyries in writing of:

- (a) any material change (actual, anticipated, contemplated or, to the knowledge of Dual, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of Dual; or
- (b) any change in any representation or warranty given in this Agreement by Dual or in the underlying basis thereof which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect (or, in the case of representations and warranties that are themselves qualified by a materiality limitation, render any such representation or warranty misleading or untrue).

Dual shall in good faith discuss with Cyries any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Dual, 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 Cyries pursuant to this section.

10.4 Financial and Other Information

- (a) Dual shall make available to Cyries, and consents to the use of, all information of Dual which may be required under Securities Laws and other applicable law to be disclosed in the Offer Documents or any documents necessary to complete a Second Stage Transaction. Dual shall receive the prior consent of Cyries, not to be unreasonably withheld, prior to making any disclosure, written or otherwise, related to its financial or operating results, however, Dual 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 the Cyries taking into

account the time constraints to which it is subject as a result of such law or obligation.

- (b) Dual shall make available to Cyries and assist Cyries in preparing all information (financial, engineering or otherwise) of or relating to Dual which may be required under Securities Laws or other applicable law or determined advisable by Cyries to be included in any documents necessary to complete an offering of securities of Cyries (a "Financing") by prospectus, offering memorandum or other document.

10.5 Guarantee

From the date hereof until the time that Cyries first takes up Dual Shares under the Offer, Dual covenants and agrees to use its best efforts to assign and transfer to DualEx Energy International Inc. ("DualEx") all of Dual's rights, liabilities and obligations whatsoever under the Performance Security Guarantee provided by Export Development Canada and effective July 21, 2005, with regard to a letter of credit in the amount of US \$1,646,840 issued by the Canadian Imperial Bank of Commerce to the Toronto Dominion Bank pursuant to DualEx's ongoing work commitments in Syria. In the event that Dual is unable to assign and transfer to DualEx all of Dual's rights, liabilities and obligations under the Performance Security Guarantee, and to cause DualEx to formally assume all such rights, liabilities and obligations, Dual covenants and agrees that prior to the time that Cyries first takes up Dual Shares under the Offer, Dual shall take all such action as is required to terminate all of Dual's rights, liabilities and obligations under the Performance Security Guarantee.

ARTICLE 11 COVENANTS OF CYRIES

11.1 Common Shares to be Issued

Cyries covenants and agrees to use its reasonable commercial efforts to obtain the listing on the TSX of the common shares of Cyries to be issued pursuant to the Offer.

11.2 Indemnities

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

11.3 Directors and Officers Insurance

Cyries acknowledges that Dual can secure "run off" directors' and officers' liability insurance for Dual's current and former directors and officers, covering claims made prior to or within five years after the Take-up Date which has a scope and coverage substantially equivalent in scope and coverage to that provided pursuant to Dual's current directors' and officer's insurance policy and Cyries agrees to not take any action to terminate such directors' and officers' insurance.

11.4 Employment Agreements

Cyries covenants and agrees, to and after the Effective Time, that it will cause Dual and any successor to Dual, to honour and comply with the terms of all existing employment agreements, termination, severance and retention plans or policies of Dual which Dual has disclosed to Cyries in the Disclosure Letter prior to the date hereof.

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 Dual and all present and former directors and officers of Dual, 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 Dual 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 Dual 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.

11.6 Notice of Material Change

From the date hereof until the termination of this Agreement, Cyries shall promptly notify Dual in writing of:

- (a) any material change (actual, anticipated, contemplated or, to the knowledge of Cyries, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of Cyries; or
- (b) any change in any representation or warranty given in this Agreement by Cyries or in the underlying basis thereof which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect (or, in the case of representations and warranties that are themselves qualified by a materiality limitation, render any such representation or warranty misleading or untrue).

Cyries shall in good faith discuss with Dual any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Cyries, 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 Dual pursuant to this section.

11.7 Access to Information

Subject to the existing confidentiality agreement between Dual and Cyries dated September 18, 2006, upon reasonable notice, Cyries will, and will cause its subsidiaries, directors, officers, employees and agents to, afford to Dual and to the directors, officers, employees and agents of Dual reasonable access to Cyries' and its subsidiaries' officers, employees, agents, properties, books, records and contracts, and will furnish Dual with all data and information as Dual may reasonably request.

11.8 U.S. Securities Law Compliance

- (a) Cyries will make available to Dual Shareholders resident in the United States the Purchase Consideration in the same amount and on the same basis as Dual Shareholders residing in Canada;
- (b) Cyries shall complete and file with the SEC, Forms CB and F-X, as promulgated by the SEC, along with copies of any documents disseminated to Dual Shareholders, on the day following the initial dissemination of offering documents to the Dual Shareholders; and
- (c) In connection with the Offer, Cyries will comply with the exemption from registration provided by Rule 802 under the U.S. Securities Act.

ARTICLE 12 MUTUAL COVENANTS

12.1 Other Filings

Cyries and Dual shall, as promptly as practicable hereafter, prepare and file any filings required under any Securities Laws, the rules of the TSX, the *Competition Act* (Canada) or any other applicable law relating to the transactions contemplated herein.

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 Dual'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 authorities; and

- (f) fulfil all conditions and satisfy all provisions of this Agreement and 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 Dual and Cyries;
- (b) by Cyries, if the conditions to the Offer have not been satisfied or waived by Cyries on or before the Expiry Time;
- (c) by either Cyries or Dual if a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission 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) by either Cyries or Dual if any representation or warranty by the other Party contained in this Agreement shall have been determined by Cyries or Dual to be materially inaccurate (or, in the case of representation and warranties that are themselves qualified by a materiality limitation, determined to be inaccurate) or if either Cyries or Dual determines the other Party has breached or failed to comply with, in any material respect, any of its covenants or obligations contained in this Agreement;
- (e) by Cyries if it has the right pursuant to Section 2.1(f) to refuse to make the Offer due to the failure of Dual to satisfy the conditions set out in Section 2.1(f);
- (f) by either Cyries or Dual if the Non-Completion Fee becomes payable (provided that for the purposes of a termination by Dual, Dual must have first paid the Non-Completion Fee);
- (g) by Dual if Cyries has not mailed the Offer Documents by October 31, 2006;
- (h) by Cyries or Dual if the Take-up Date has not occurred within 90 days following the Initial Expiry Time; or

- (i) by Dual if the board of directors of Cyries accepts, approves or recommends or enters into any agreement, undertaking or arrangement in respect of any proposal or offer by a third person to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of Cyries' assets or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 20% of the outstanding common shares of Cyries whether by way of a take-over bid, arrangement, amalgamation, merger, consolidation or other business combination.

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 Cyries or Dual hereunder except as set forth in Article 4, this Section 13.2 and in Sections 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.

For greater certainty, the exercise by any Party of any right of termination hereunder shall be without prejudice to any other remedy available to such Party.

Nothing herein shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith.

13.3 Limitation of Liability

Notwithstanding any other term of this Agreement, neither Party shall 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 Cyries and Dual 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 or sent if delivered personally or 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 Cyries:

Cyries Energy Inc.
3200, 500 - 4th Avenue S.W.
Calgary, Alberta T2P 2V6
Attention: Don Archibald
Chairman and Chief Executive Officer
Telecopy No.: (403) 262-0055

with a copy to:

Macleod Dixon LLP
3700, 400 – 3rd Avenue S.W.
Calgary, Alberta T2P 4H2
Attention: Robert J. Engbloom, Q.C.
Telecopy No.: (403) 264-5973

- (b) if to Dual:

Dual Exploration Inc.
1400, 333- 7th Avenue S.W.
Calgary, Alberta T2P 3B6
Attention: Martin Cheyne
President and Chief Executive Officer
Telecopy No.: (403) 261-3808

with a copy to:

Davis & Company
3000 Shell Centre
400 - 4th Avenue S.W.
Calgary, Alberta T2P 0J4
Attention: Daniel Kenney
Telecopy No.: (403) 296-4474

14.2 Miscellaneous

This Agreement, except for the confidentiality agreement dated September 18, 2006 between Dual and Cyries, 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 would 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. Cyries may assign all or any part of its rights or obligations under this Agreement to one or more of Cyries' subsidiaries referred to in Section 2.1(b), and provided further that if such assignment takes place, Cyries shall continue to be liable to Dual 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, other than expenses incurred in connection any filing required under the *Competition Act* (Canada) which costs shall be paid by Cyries and Dual in equal proportions.

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, Cyries is hereby released from the provisions of Section 4 of the confidentiality agreement dated September 18, 2006 between Cyries and Dual in respect of the transactions contemplated by the Offer provided that if the Offer is terminated or expires without Cyries acquiring the Minimum Required Shares all of the terms and provisions of such confidentiality agreement shall continue to apply.

14.7 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.

CYRIES ENERGY INC.

Per: (signed) "Gary Peddle"
Authorized Officer

DUAL EXPLORATION INC.

Per: (signed) "Martin J. Cheyne"
Authorized Officer

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 October 4, 2006 (the "Agreement") between Cyries and Dual.

Notwithstanding any other provision of the Offer, but subject to the provisions of the Agreement, Cyries 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 Dual Shares deposited under the Offer unless all of the following conditions, are satisfied or waived by Cyries:

- (a) at the Expiry Time, and at the time Cyries first takes up and pays for Dual Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn at least 66 2/3% of the outstanding Dual Shares (calculated on a diluted basis), (the "Minimum Condition");
- (b) all requisite regulatory approvals, orders, notices, consents and expiries of waiting periods (including, without limitation, under the *Competition Act* (Canada) and those of any stock exchanges and other Securities Authorities) shall have been obtained or occurred on terms and conditions satisfactory to Cyries in its sole discretion, 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 agency or regulatory authority 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 Cyries 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 threatened or taken before or by any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission by any elected or appointed public official or by any private person in Canada or elsewhere, whether or not having the force of law, and
 - (ii) no law, regulation or policy (including applicable tax laws and regulations in those jurisdictions in which Dual carries on business) shall have been proposed, enacted, promulgated, amended or applied,

which in either case, in the sole judgement of Cyries, acting reasonably:

- (A) has the effect or may have the effect of cease trading the Dual Shares, or enjoining, prohibiting or imposing material limitations, damages or conditions on the Offer, or the purchase by, or the sale to, Cyries of the Dual Shares or the right of Cyries to own or exercise full rights of ownership of the Dual Shares;
- (B) has had or, if the Offer was consummated, would reasonably be expected to result in, a Material Adverse Change in respect of Dual or, in the case of (ii) above, would have a Material Adverse Effect on Dual or Cyries; or

- (C) would reasonable be expected to have a Material Adverse Effect on the ability to complete any compulsory acquisition or any Second Stage Transaction;
- (d) there does not exist any prohibition at law against Cyries making the Offer or taking up and paying for all of the Dual Shares under the Offer or completing any compulsory acquisition or Second Stage Transaction in respect of any Dual Shares not acquired under the Offer;
- (e) at or prior to the Expiry Time, all outstanding Dual Options and Dual Warrants and any other outstanding rights to acquire Dual Shares from Dual shall have been exercised, cancelled or otherwise terminated or dealt with in a manner satisfactory to Cyries, acting reasonably;
- (f) Cyries shall not have determined in its sole judgment, acting reasonably, that (i) Dual breached, or failed to comply with, in any material respect, any of its covenants or obligations under the Agreement, or (ii) any representation or warranty of Dual contained in the Agreement is materially inaccurate (or where such representation or warranty is qualified by a materiality limitation, is inaccurate) or has, since the date of the Agreement, become materially inaccurate or inaccurate, as the case may be and Cyries shall have received, on the Take-up Date, a certificate of the Chief Executive Officer and Chief Financial Officer of Dual, without personal liability, that (y) Dual has not breached, or failed to comply with, in any material respect, any of its covenants or obligations under the Agreement, and (z) no representation or warranty of Dual contained in the Agreement is materially inaccurate (or where such representation or warranty is qualified by a materiality limitation, is inaccurate) or has, since the date of the Agreement, become materially inaccurate or inaccurate, as the case may be.
- (g) the Agreement shall not have been terminated in accordance with its terms;
- (h) all necessary orders, authorizations or consents shall have been obtained under Securities Laws in respect of the issuance of the common shares of Cyries pursuant to the Offer;
- (i) Cyries shall have determined in its sole judgment, acting reasonably, that there does not exist any Material Adverse Change in respect of Dual since the date of the Agreement;
- (j) there shall not have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any United States or Canadian national securities exchange or in the over-the-counter market, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or Canada (whether or not mandatory), (iii) a commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or Canada (other than the current operations by Canada undertaken in Afghanistan), (iv) any limitation (whether or not mandatory) by any United States or Canadian governmental or regulatory authority on the extension of credit by banks or other financial institutions, or (v) in the case of any of the foregoing existing as of the date of the Offer, a material acceleration or worsening thereof;
- (k) Cyries shall have determined, in its sole judgment, acting reasonably, that no material right, franchise or licence of Dual or of any of its subsidiaries has been impaired (or threatened to be impaired) or adversely affected (or threatened to be adversely affected), whether as a result of the making of the Offer, the taking-up and paying for Dual Shares deposited under the Offer or otherwise, and no other change or event has occurred which might make it

inadvisable for Cyries to proceed with the Offer or with taking-up and paying for Dual Shares deposited thereunder; and

- (l) there shall not have occurred any actual or threatened change of any nature whatsoever (including any proposal by the Minister of Finance (Canada) to amend the *Income Tax Act* (Canada) or any announcement, governmental or regulatory initiative, condition, event or development involving a change or a prospective change) that, in the sole judgment of Cyries, acting reasonably, directly or indirectly, has or may have material adverse significance with respect to the business or operations of Dual or its subsidiaries taken as a whole, or with respect to the regulatory regime applicable to their businesses and operations or with respect to completing any compulsory acquisition or Second Stage Transaction.

SCHEDULE B
FORM OF LOCKUP AGREEMENT

October 4, 2006

Dear Sir:

Re: Offer by Cyries Energy Inc. to purchase all of the issued and outstanding common shares of Dual Exploration Inc.

Reference is made to the Acquisition Agreement dated October 4, 2006 (the "Acquisition Agreement", without reference to any future amendments) among Cyries Energy Inc. ("Cyries") and Dual Exploration Inc. ("Dual") pursuant to which Cyries has agreed to make an offer to purchase all of the issued and outstanding Dual Shares. Unless otherwise defined herein, all capitalized terms referred to herein shall have the meanings attributed thereto in the Acquisition Agreement. Any references in this agreement to Dual Shares owned by the Selling Shareholder (as defined below) shall mean such number of Dual Shares and, where the context requires, shall include all Dual Shares issued to the Selling Shareholder after the date hereof pursuant to the exercise of Dual Options and Dual Warrants.

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 Dual Shares (including Dual Shares issuable upon the exercise of Dual Options and Dual 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") or your Affiliates beneficially own, directly or indirectly, or exercise control or direction over, the number of Dual 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 5 and 7 of this letter agreement, from the date hereof until the completion of the Offer:

- (a) not to sell, assign, convey or otherwise dispose of any of the Dual Shares owned by such Selling Shareholder and not to permit any Affiliate of such Selling Shareholder to sell, assign, convey or otherwise dispose of any of the Dual Shares owned by it except as contemplated by the Acquisition Agreement;
- (b) unconditionally and irrevocably to accept and to cause any Affiliate of such Selling Shareholder to unconditionally and irrevocably accept the Offer made by Cyries by depositing the Dual Shares presently owned or hereafter acquired (including any Dual Shares hereafter acquired pursuant to the exercise of any Dual Options or Dual Warrants) by such Selling Shareholder or affiliate prior to the expiry of the Offer and

in accordance with the terms and conditions of the Offer at least 5 Business Days prior to the Initial Expiry Time;

- (c) to exercise all Dual Options or Dual Warrants held by the Selling Shareholder to acquire Dual Shares, or to agree to terminate all remaining Dual Options or Dual Warrants as contemplated by the Acquisition Agreement;
- (d) not to exercise any statutory or other rights of withdrawal with respect to any Dual Shares owned by such Selling Shareholder or any affiliate of such Selling Shareholder once deposited pursuant to the Offer unless this letter agreement is terminated prior to Cyries taking up the Dual Shares under the Offer; and
- (e) not to exercise any shareholder rights or remedies available at common law or pursuant to the *Business Corporations Act* (Alberta) or the Securities Laws to delay, hinder, upset or challenge the Offer.

2. Covenants of Cyries

- (a) Cyries 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.
- (b) Cyries shall, subject to the satisfaction or waiver of the conditions set forth in the Offer, take up and pay for all Dual Shares owned by the Selling Shareholder or any Affiliate of the Selling Shareholder deposited pursuant to the Offer (including any Dual Shares hereafter acquired pursuant to the exercise of any Dual Options or Dual Warrants), all in accordance with the terms and conditions of the Offer and the provisions of the Acquisition Agreement.

3. Non-Solicitation

Other than as permitted pursuant to Section 5.2 of the Acquisition Agreement and subject to Section 7 hereof, the Selling Shareholder agrees that it will not directly or indirectly:

- (a) solicit, initiate or encourage, or engage in or continue any discussions or negotiations or participate in or take any other action in respect of, or which may reasonably be expected to lead to, a Take-over Proposal;
- (b) provide or furnish to any party any information concerning Dual and its business, properties and assets in respect of, or which may reasonably be expected to lead to, a Take-over Proposal;
- (c) accept, recommend, approve or enter into any agreement to implement a Take-over Proposal; or
- (d) release any party from any confidentiality or standstill agreement between Dual and such party or amend any such agreement.

4. **Representations and Warranties**

The Selling Shareholder represents and warrants to Cyries that:

- (a) the Selling Shareholder is duly authorized 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 Dual Shares and the number of Dual Options and Dual 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 Dual 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 Cyries will pass good and marketable title to such shares, free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever.

Cyries represents and warrants to the Selling Shareholder that Cyries is duly authorized to execute and deliver this letter agreement and this agreement is a valid and binding agreement, enforceable against Cyries in accordance with its terms; and neither the execution of this letter agreement by Cyries nor the completion by Cyries 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 Cyries will be a party or by which it will be bound at the time of such completion.

5. **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 Dual.

6. **Expenses**

Cyries 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 6 shall survive the termination of this letter agreement pursuant to Section 7.

7. Termination

It is understood and agreed that the respective rights and obligations hereunder of Cyries 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 Dual 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 6 and this Section 7 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 Cyries, except to the extent that either such party is in default of its obligations herein contained.

8. 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.

9. 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 Cyries 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 Cyries of its obligations hereunder.

10. 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 Dual Shares, to any person other than Dual, its directors and officers, 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 Cyries and Dual in the press release issued in connection with the execution of the Acquisition Agreement and the Offer Documents and the Directors Circular prepared by Dual.

11. Enurement

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

12. 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.

13. **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.

14. **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.

15. **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,

CYRIES ENERGY INC.

Per: _____

Acceptance

The foregoing is hereby accepted as of and with effect from the 4th day of October, 2006 and the undersigned hereby confirms that the undersigned beneficially owns _____ Dual Shares, Dual Options to acquire a further _____ Dual Shares and Dual Warrants to acquire a further _____ Dual Shares.

Witness

Name: