October 6, 2009

Canyon Services Group Inc.
Suite 1600, 510 – 5th Street S.W.
Calgary, Alberta
T2P 3S2

Attention: **Mr. Bradley P.D. Fedora**
President

Dear Sirs:

Re: Prospectus Offering of Common Shares

Cormark Securities Inc., Peters & Co. Limited and Raymond James Ltd. (collectively, the "**Underwriters**") understand that Canyon Services Group Inc. (the "**Corporation**") proposes to issue and sell 10,000,000 common shares (the "**Common Shares**") of the Corporation (the "**Offered Shares**"). The Underwriters also understand that the Corporation proposes to issue and sell 15,000,000 Common Shares (the "**Private Placement Shares**") at a purchase price of $2.00 per Private Placement Share to limited partnerships comprising ARC Energy Fund (the "**ARC Fund**"), that ARC Fund has committed to purchase the Private Placement Shares pursuant to an underwritten private placement (the "**Private Placement**") and that in connection with the Private Placement, the Underwriters and the Corporation have entered into or will, prior to the Closing Date (as defined herein), enter into an underwriting agreement providing for the Private Placement.

Upon and subject to the terms and conditions contained in this Agreement (as defined herein), the Underwriters hereby severally, and not jointly, agree to purchase from the Corporation on the Closing Date, in the respective percentages set forth in section 18 hereof, and the Corporation hereby agrees to issue and sell to the Underwriters, all but not less than all of the Offered Shares, at a purchase price of $2.00 per Offered Share, being an aggregate purchase price of $20,000,000.

The Underwriters shall be entitled (but not obligated) in connection with the offering and sale of the Offered Shares to retain as sub-agents other registered securities dealers and may receive subscriptions for Offered Shares from subscribers from other registered dealers. The fee payable to any such sub-agent shall be for the account of the Underwriters.

The Corporation understands that although this offer for Offered Shares is presented on behalf of the Underwriters as the purchasers, the Underwriters will have the right to solicit orders and obtain substituted purchasers (the "**Substituted Purchasers**") for the Offered Shares on behalf of the Corporation (including Substituted Purchasers that are Institutional Accredited Investors (as defined in Schedule "A" hereto) in the United States) and the obligation of the Underwriters to purchase the Offered Shares shall be reduced by the number of Offered Shares purchased by the Substituted Purchasers. The Underwriters shall have the exclusive right to offer for sale and sell the Offered Shares pursuant to exemptions under applicable United States securities laws to Qualified Institutional Buyers (as defined in Schedule "A" hereto) and in such other jurisdictions as are agreed upon between the Corporation and the Underwriters.

1. Definitions

In this Agreement:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

(b) "**Agreement**" means this agreement and not any particular article or section or other portion except as may be specified, and words such as "**hereof**", "**hereto**", "**herein**" and "**hereby**" refer to this Agreement as the context requires;

(c) "**AIF**" means the annual information form of the Corporation dated February 26, 2009 for the year ended December 31, 2008;

(d) "**Applicable Securities Laws**" means, collectively, the Canadian Securities Laws and the U.S. Securities Laws;

(e) "**ASC**" means the Alberta Securities Commission;

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

(g) "**Canadian Securities Laws**" means all applicable Canadian securities laws, rules, regulations, notices, instruments, blanket orders and policies in the Qualifying Provinces;

(h) "**Closing Date**" means October 28, 2009 or such other date as the Underwriters and the Corporation may agree, but in any event not later than November 16, 2009;

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

(j) "**Corporation's auditors**" means KPMG LLP, chartered accountants, Calgary, Alberta;

(k) "**Corporation's counsel**" means Blake, Cassels & Graydon LLP or such other legal counsel as the Corporation, with the consent of the Underwriters, may retain;

(l) "**distribution**" means "**distribution**" or "**distribution to the public**", as the case may be, as defined under the Canadian Securities Laws and "**distribute**" has a corresponding meaning;

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

(i) the AIF;

(ii) the Financial Statements;

(iii) management's discussion and analysis of the financial position and results of operations for the Corporation for the year ended December 31, 2008;

(iv) management's discussion and analysis of the financial position and results of operations of the Corporation for the six months ended June 30, 2009;

(v) the management information circular of the Corporation dated March 2, 2009 relating to the annual general and special meeting of shareholders of the Corporation held on March 31, 2009;

(vi) the material change report of the Corporation to be dated October 13, 2009 concerning the offering of Offered Shares; and

(vii) any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Corporation with the Securities Commissions after the date of this Agreement and during the period of distribution;

(n) "**Due Diligence Session**" shall have the meaning set forth in section 3(d) hereof;

(o) "**Exchange**" means the Toronto Stock Exchange;

(p) "**Final Passport System Decision Document**" means a receipt for the Prospectus issued in accordance with the Passport System;

(q) "**Financial Statements**" means, collectively, the audited comparative consolidated financial statements of the Corporation as at and for the year ended December 31, 2008, together with the notes thereto and the report of the auditors thereon and the unaudited comparative consolidated financial statements of the Corporation as at and for the six month period ended June 30, 2009, together with the notes thereto;

(r) "**Investment Rights Agreement**" means the investment rights agreement to be entered into between the Corporation and the ARC Fund with respect to certain board of director nomination and representation rights, information rights, subscription rights and registration rights granted by the Corporation to the ARC Fund;

(s) "**material change**", "**material fact**" and "**misrepresentation**" shall have the meanings ascribed thereto under the Canadian Securities Laws;

(t) "**MI 11-102**" means Multilateral Instrument 11-102 *Passport System* of the Canadian Securities Administrators, as amended or replaced;

(u) "**NI 44-101**" means National Instrument 44-101 *Short Form Prospectus Distributions* of the Canadian Securities Administrators, as amended or replaced;

(v) "**NP 11-202**" means National Policy 11-202 *Process for Prospectus Review in Multiple Jurisdictions* of the Canadian Securities Administrators, as amended or replaced;

(w) "**Passport System**" means the system and procedures for the filing of prospectuses and related materials in one or more Canadian jurisdictions pursuant to MI 11-102 and NP 11-202;

(x) "**Preliminary Passport System Decision Document**" means a receipt for the Preliminary Prospectus issued in accordance with the Passport System;

(y) "**Preliminary Prospectus**" means the preliminary short form prospectus of the Corporation to be dated October 13, 2009 and any amendments thereto, in respect of the distribution of the Offered Shares, including the documents incorporated by reference therein;

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

(aa) "**Prospectuses**" means, collectively, the Preliminary Prospectus and the Prospectus;

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

(cc) "**Qualifying Provinces**" means each of the provinces of Canada, excluding Québec;

(dd) "**Securities Commissions**" means the securities commissions or similar regulatory authorities in the Qualifying Provinces;

(ee) "**Selling Dealer Group**" means the dealers and brokers other than the Underwriters and their U.S. broker-dealer affiliates who participate in the offer and sale of the Offered Shares pursuant to this Agreement;

(ff) "**subsidiary**" has the meaning ascribed thereto in the ABCA and any partnerships or trusts which the Corporation has a 50% or greater interest in or the Corporation or a subsidiary of the Corporation acts as general partner, trustee, administrator or manager of;

(gg) "**Supplementary Material**" means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemented Preliminary Prospectus or Prospectus or any ancillary material, information, evidence, return, report, application, statement or document which may be filed by or on behalf of the Corporation under the Canadian Securities Laws;

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

(ii) "**Underwriters' counsel**" means Burnet, Duckworth & Palmer LLP or such other legal counsel as the Underwriters, with the consent of the Corporation, may retain;

(jj) "**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

(kk) "**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;

(ll) "**U.S. Placement Memorandum**" has the meaning ascribed thereto in Schedule "A" hereto;

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

(nn) "**U.S. Securities Laws**" means the United States federal securities laws, including the U.S. Securities Act, and applicable state securities laws.

2. Underwriting Fee

In consideration for their services in underwriting the distribution of the Offered Shares, the Corporation agrees to pay the Underwriters at the Closing Time a fee of $0.10 per Offered Share (being an aggregate amount of $1,000,000) (the "**Underwriting Fee**"). The Underwriting Fee may, at the sole option of the Underwriters, be deducted from the aggregate gross proceeds of the sale of the Offered Shares and withheld for the account of the Underwriters. For greater certainty, the services provided by the Underwriters in connection herewith will not be subject to the Goods and Services Tax ("**GST**") provided for in the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided. However, in the event that Canada Revenue Agency determines that GST is exigible on the Underwriting Fee, the Corporation agrees to pay the amount of GST forthwith upon the request of the Underwriters. The Corporation also agrees to pay the Underwriters' expenses as set forth in section 10.

3. Qualification for Sale

(a) The Corporation represents and warrants to the Underwriters that it is eligible to use the short form prospectus offering qualification system described in NI 44-101 for the distribution of the Offered Shares.

(b) The Corporation shall elect and comply in all material respects with the Passport System and shall:

(i) not later than 5:00 p.m. (Calgary time) on October 13, 2009, have:

(A) prepared and filed the Preliminary Prospectus and other documents required under the Canadian Securities Laws with the Securities Commissions and designated the ASC as the principal regulator under the Passport System; and

(B) obtained from the ASC a Preliminary Passport System Decision Document, evidencing that a receipt for the Preliminary Prospectus has been issued in Alberta and Ontario and has been deemed to have been issued in each of the Qualifying Provinces other than Alberta and Ontario (except that such document may be received on October 14, 2009 provided it is dated October 13, 2009);

(ii) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions but not later than October 21, 2009 (or such later date as may be agreed to in writing by the Corporation and the Underwriters), have:

(A) prepared and filed the Prospectus and other documents required under the Canadian Securities Laws with the Securities Commissions; and

(B) obtained from the ASC a Final Passport System Decision Document, evidencing that a receipt for the Prospectus has been issued in Alberta and Ontario and has been deemed to have been issued in each of the Qualifying Provinces other than Alberta and Ontario or otherwise obtained a receipt for the Prospectus from each of the Securities Commissions;

and otherwise fulfilled all legal requirements to enable the Offered Shares to be offered and sold to the public in each of the Qualifying Provinces through the Underwriters or any other investment dealer or broker registered in the applicable Qualifying Province; and

(iii) until the completion of the distribution of the Offered Shares, promptly take all additional steps and proceedings that from time to time may be required under the Canadian Securities Laws in each Qualifying Province to continue to qualify the Offered Shares for distribution or, in the event that the Offered Shares have, for any reason, ceased to so qualify, to again qualify the Offered Shares for distribution.

(c) From the date of the filing of the Preliminary Prospectus until completion of the distribution of the Offered Shares, prior to the filing with any Securities Commissions of any Supplementary Material or any documents incorporated by reference therein after the date hereof, the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of, and to approve the form of, such documents and to have reviewed any documents incorporated by reference therein.

(d) During the period from the date hereof until completion of the distribution of the Offered Shares, the Corporation shall allow the Underwriters to conduct all due diligence which they may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters to responsibly execute the certificates required to be executed by them in the Prospectuses or in any Supplementary Material. Without limiting the generality of the foregoing, the Corporation shall make available its directors, senior management and audit committee, and shall use its commercially reasonable efforts to cause its auditors, legal counsel and other experts to be available, to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to the Closing Time (collectively, the "**Due Diligence Session**"). The Underwriters shall distribute a list of written questions to be answered in advance of the Due Diligence Session and the Corporation shall provide written responses to such questions and shall use its commercially reasonable efforts to have its auditors, legal counsel and other experts provide written responses to such questions in advance of the Due Diligence Session.

(e) The Corporation shall take or cause to be taken all such other steps and proceedings, including fulfilling all legal, regulatory and other requirements, as required under the Canadian Securities Laws to qualify the Offered Shares for distribution to the public in the Qualifying Provinces and to qualify the Offered Shares to be offered and sold, in accordance with Schedule "A" hereto, in transactions exempt from the registration requirements of the U.S. Securities Act, and for sale internationally on a "private placement" basis as permitted by applicable laws.

4. Delivery of Prospectuses and Related Documents

The Corporation shall deliver or cause to be delivered without charge, to the Underwriters and the Underwriters' counsel the documents set out below at the respective times indicated:

(a) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of each of the Preliminary Prospectus and the Prospectus:

(i) copies of the Preliminary Prospectus and the Prospectus signed as required by the Canadian Securities Laws;

(ii) copies of the U.S. Placement Memorandum if required by the Underwriters; and

(iii) upon request from the Underwriters, copies of any documents incorporated by reference therein which have not previously been delivered to the Underwriters;

(b) as soon as they are available, copies of any Supplementary Material, signed as required by the Canadian Securities Laws and including, in each case, copies of any documents incorporated by reference therein which have not been previously delivered to the Underwriters; and

(c) prior to the filing of the Prospectus with the Securities Commissions, a "comfort letter" from the Corporation's auditors, dated the date of the Prospectus, addressed to the Underwriters and satisfactory in form and substance to the Underwriters and the Underwriters' counsel, acting reasonably, to the effect that they have carried out certain procedures performed for the purposes of comparing certain specified financial information and percentages appearing in the Prospectus and the documents incorporated by reference therein with indicated amounts in the financial statements or accounting records of the Corporation or other applicable entity or business and have found such information and percentages to be in agreement, which comfort letter shall be based on the Corporation's auditors' review having a cut-off date of not more than two Business Days prior to the date of the Prospectus.

Comfort letters similar to the foregoing shall be provided to the Underwriters with respect to any Supplementary Material and any other relevant document at the time the same is presented to the Underwriters for their signature or, if the Underwriters' signature is not required, at the time the same is filed. All such letters shall be in form and substance acceptable to the Underwriters and the Underwriters' counsel, acting reasonably.

The deliveries referred to in sections 4(a) and (b) shall also constitute the Corporation's consent to the use by the Underwriters and other members of the Selling Dealer Group of the Documents, the Prospectuses, the U.S. Placement Memorandum and any Supplementary Material in connection with the offering and sale of the Offered Shares.

5. Commercial Copies

(a) The Corporation shall, as soon as possible but in any event not later than noon (local time at the place of delivery) on the Business Day following the date of receipt of the Preliminary Passport System Decision Document or the Final Passport System Decision Document, as the case may be (or such other date or time as the Underwriters and the Corporation may agree), with the Securities Commissions and no later than noon (local time) on the first Business Day after the execution of any Supplementary Material in connection with the Prospectuses, cause to be delivered to the Underwriters, without charge, commercial copies of the Preliminary Prospectus, the Prospectus or such Supplementary Material in such numbers and in such cities as the Underwriters may reasonably request by oral or written instructions to the Corporation or the printer thereof given no later than the time when the Corporation authorizes the printing of the commercial copies of such documents.

(b) The Corporation shall cause to be provided to the Underwriters such number of copies of any documents incorporated by reference in the Preliminary Prospectus, the Prospectus or any Supplementary Materials as the Underwriters may reasonably request.

(c) The Corporation will similarly cause to be delivered to the Underwriters, at those delivery points as the Underwriters may reasonably request, commercial copies of the U.S. Placement Memorandum and any Supplementary Material required to be delivered to purchasers or prospective purchasers of the Offered Shares. Each delivery of the U.S. Placement Memorandum and any such Supplementary Material will constitute consent by the Corporation to the use of the U.S. Placement Memorandum and any such Supplementary Material required to be prepared and/or filed under U.S. Securities Laws by the U.S. broker-dealer affiliates of the Underwriters and members of the Selling Dealer Group (if any) for the distribution of the Offered Shares for sale by them in the United States in accordance with this Agreement.

6. Material Change and Certain Other Covenants

(a) During the period of distribution of the Offered Shares, the Corporation will promptly inform the Underwriters of the full particulars of:

(i) any material change (actual, anticipated or threatened) in or affecting the business, operations, revenues, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis);

(ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or any Supplementary Material; and

(iii) the occurrence or discovery of a material fact or event which, in any such case, is, or may be, of such a nature as to:

(A) render the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or any Supplementary Material untrue, false or misleading in any material respect;

(B) result in a misrepresentation in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or any Supplementary Material; or

(C) result in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or any Supplementary Material not complying in any material respect with the Applicable Securities Laws,

provided that if the Corporation is uncertain as to whether a material change, change, occurrence or event of the nature referred to in this section has occurred or been discovered, the Corporation shall promptly inform the Underwriters of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Underwriters as to whether the occurrence is of such nature.

(b) During the period of distribution of the Offered Shares, the Corporation will promptly inform the Underwriters in writing of the full particulars of:

(i) any request of any Securities Commission, the SEC (as defined in Schedule "A" hereto), or similar regulatory authority for any amendment to, or to suspend or prevent the use of, the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or any other part of the Public Record or for any additional information;

(ii) the issuance by any Securities Commission, the SEC or similar regulatory authority, the Exchange, any other stock exchange or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose; and

(iii) the receipt by the Corporation of any communication from any Securities Commission, the SEC or similar regulatory authority, the Exchange, any other stock exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any other part of the Public Record or the distribution of the Offered Shares.

(c) The Corporation will promptly comply to the reasonable satisfaction of the Underwriters and the Underwriters' counsel with Applicable Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in sections 6(a) or 6(b) above and the Corporation will prepare and file promptly at the Underwriters' request any amendment to the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or Supplementary Material as may be required under Applicable Securities Laws; provided that the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of any Supplementary Material, to have reviewed any other documents incorporated by reference therein and conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters to responsibly execute the certificate required to be executed by them in, or in connection with, any Supplementary Material, such approval not to be unreasonably withheld and to be provided in a timely manner. The Corporation shall further promptly deliver to each of the Underwriters and the Underwriters' counsel a copy of each Supplementary Material as filed with the Securities Commissions, and of letters with respect to each such Supplementary Material substantially similar to those referred to in section 4 above.

(d) During the period of distribution of the Offered Shares, the Corporation will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to filing or issuance:

(i) any financial statement of the Corporation;

(ii) any proposed document, including without limitation any amendment to the AIF, new annual information form, material change report, interim report, or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus;

(iii) any press release of the Corporation; and

(iv) any amendment to the Preliminary Prospectus or the Prospectus.

7. Representations and Warranties of the Corporation

(a) Each delivery of the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum and any Supplementary Material pursuant to section 4 above shall constitute a representation and warranty to the Underwriters by the Corporation (and the Corporation hereby acknowledges that each of the Underwriters is relying on such representations and warranties in entering into this Agreement) that:

(i) all of the information and statements (except information and statements furnished by and relating solely to the Underwriters) contained in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference therein, as the case may be:

(A) are at the respective dates of such documents, true and correct in all material respects;

(B) contain no misrepresentation; and

(C) constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Shares;

(ii) the Preliminary Prospectus, the Prospectus, or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference therein, as the case may be, complies in all material respects with the Canadian Securities Laws, including without limitation NI 44-101, and the U.S. Placement Memorandum and any related Supplementary Material complies in all material respects with U.S. Securities Laws; and

(iii) except as is disclosed in the Public Record, there has been no intervening material change (actual, proposed or prospective, whether financial or otherwise), from the date of the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum and any Supplementary Material to the time of delivery thereof, in the business, operations, revenues, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis).

(b) In addition to the representations and warranties contained in section 7(a) hereof, the Corporation represents and warrants to the Underwriters, and acknowledges that each of the Underwriters is relying upon such representations and warranties in entering into this Agreement, that:

(i) each of the Corporation and its subsidiaries has been duly incorporated and organized and is valid and subsisting under the laws of the jurisdiction of its incorporation and has all requisite corporate capacity, power and authority to carry on its business as described in the Prospectuses and to own, lease and operate its properties and assets as described in the Prospectuses;

(ii) each of the Corporation and its subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;

(iii) each of the Corporation and its subsidiaries has conducted and is conducting and will conduct its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on its business as now conducted and as contemplated to be conducted in the Prospectuses (except where the failure to so conduct its business or to hold such licences, registrations or qualifications would not, individually or in the aggregate, have a material adverse effect on the business, operations, revenues, capital, condition (financial or otherwise), liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis)), all such licences, registrations or qualifications are valid and existing and in good standing (except where such lack of good standing would not have a material adverse effect on the business, operations, revenues, capital, condition (financial or otherwise), liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis)) and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation and its subsidiaries (taken as a whole) as now conducted or as proposed to be conducted, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation or any of its subsidiaries will be unable to comply with without materially adversely affecting the Corporation and its subsidiaries (taken as a whole);

(iv) the Corporation does not have any subsidiaries other than Canyon Technical Services Ltd. and Canyon Technical Services Inc. and the Corporation is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the ABCA) and the Corporation is not a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships or joint ventures and the Corporation has no material shareholdings in any other corporation, partnership or business organization;

(v) all of the issued and outstanding securities of the Corporation's subsidiaries are fully paid and non-assessable and legally and beneficially owned directly by the Corporation, free and clear of all liens, mortgages, charges, security interests, pledges, encumbrances, claims or demands whatsoever and no person holds any securities convertible into or exchangeable for issued or unissued securities of the Corporation's subsidiaries or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right for the acquisition of any unissued or issued securities of the Corporation's subsidiaries;

(vi) the minute books of each of the Corporation and its subsidiaries contain full, true and correct copies of the constating documents of the Corporation and its subsidiaries, and contain copies of all minutes of all meetings (to the extent such minutes have been reviewed and approved by the board of directors of the Corporation, drafts of any such unapproved minutes, having been made available to the Underwriters' counsel) and all consent resolutions of the Corporation's and its subsidiaries' directors, committees of directors or shareholders and all such meetings were duly called and properly held and all consent resolutions were properly adopted;

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

(viii) each of the Corporation and its subsidiaries has duly and on a timely basis filed all tax returns due and required to be filed by it, has paid all taxes due and payable and has paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any of its subsidiaries and to the best of the knowledge, information and belief of the Corporation there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or any of its subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;

(ix) all filings made by each of the Corporation and its subsidiaries under which it has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or previously accrued on the accounts thereof to be recovered or disallowed;

(x) except to the extent that any violation or other matter referred to in this section does not have a material adverse effect on the business, operations, revenues, capital, condition (financial or otherwise), liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) (and, in respect of non-operated assets, to the knowledge, information and belief of the Corporation):

(A) neither the Corporation nor any of its subsidiaries is in violation of any applicable federal, provincial, state, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(B) each the Corporation and its subsidiaries has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(C) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or any of its subsidiaries that have not been remedied;

(D) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or any of its subsidiaries;

(E) neither the Corporation nor any of its subsidiaries has failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law; and

(F) each of the Corporation and its subsidiaries holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licences, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by the Corporation, and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), neither the Corporation nor any of its subsidiaries has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(xi) any and all operations of each of the Corporation and its subsidiaries and, to the best of the knowledge, information and belief of the Corporation, any and all operations by third parties, in respect of the assets of the Corporation and its subsidiaries, have, in all material respects, been conducted in accordance with good oilfield services industry practices;

(xii) in respect of the assets of each of the Corporation and its subsidiaries that are operated by it, if any, each of the Corporation and its subsidiaries holds all valid licences, permits and similar rights and privileges that are required and necessary under applicable law to operate the assets of the Corporation as presently operated except where to hold all valid licenses, permits and similar rights would not have a material adverse effect on business, operations, revenues, capital, condition (financial or otherwise), liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis);

(xiii) the Corporation has full corporate capacity, power and authority to enter into this Agreement and to perform its obligations set out herein (including, without limitation, to issue and sell the Offered Shares), and this Agreement has been duly authorized, executed and delivered by the Corporation and this Agreement is a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;

(xiv) the Corporation has the necessary corporate power and authority to execute, deliver and file the Prospectuses and, prior to the filing of the Prospectuses, all requisite action will have been taken by the Corporation to authorize the execution, delivery and filing of the Prospectuses;

(xv) the attributes and characteristics of the Offered Shares conform in all material respects to the attributes and characteristics thereof described in the Prospectuses;

(xvi) the Corporation has full corporate power and authority to issue the Offered Shares and, at the Closing Date, the Offered Shares will be duly and validly authorized, allotted and reserved for issuance and will, upon receipt of full payment therefor, be validly issued as fully paid and non-assessable shares;

(xvii) none of the Corporation or any of its subsidiaries has received any notice of and is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement by the Corporation or any of the transactions contemplated hereby, does not and will not:

(A) result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under, (i) any term or provision of the articles, by-laws or other constating documents of the Corporation or any of its subsidiaries, as applicable, (ii) any resolutions of shareholders or directors (or any committee thereof) of the Corporation or any of its subsidiaries, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or any of its subsidiaries is a party or by which it is bound, or (iv) any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation or any of its subsidiaries, or

(B) create a right for any other party to terminate, accelerate or in any way alter any other rights existing under any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound which, upon exercise of such right, might reasonably be expected to materially adversely affect the business, operations, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement,

which default or breach or right might reasonably be expected to have a material adverse effect on the business, operations, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement;

(xviii) to the best of the knowledge, information and belief of the Corporation, no other party is in default in the observance or performance of any term or obligation to be performed by such other party under any contract to which the Corporation or any of its subsidiaries is a party or by which it is bound and no event has occurred which after notice or lapse of time or both would result in a breach of or constitute a default under, in any such case which default or event would reasonably be expected to materially adverse effect the business, operations, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement;

(xix) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation and its subsidiaries from the position set forth in the Financial Statements except as contemplated by or disclosed in the Prospectuses and there has not been any adverse material change in the business, operations, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) since December 31, 2008 except as disclosed in the Prospectuses; and since that date there have been no material facts, transactions, events or occurrences which could have a material adverse effect on the business, operations, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) which have not been disclosed in the Prospectuses;

(xx) the Financial Statements fairly present, in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and its subsidiaries on a consolidated basis as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and its subsidiaries on a consolidated basis as at the dates thereof required to be disclosed by generally accepted accounting principles in Canada, and include all adjustments necessary for a fair presentation;

(xxi) the Corporation has not completed any "significant acquisitions" nor are there any proposed significant acquisitions that would require, pursuant to NI 44-101, any financial statements or pro-forma financial statements in respect thereof to be included in the Prospectuses;

(xxii) there has not been any reportable disagreement (within the meaning of Section 4.11 of National Instrument 51-102 of the Canadian Securities Administrators) with the auditors of the Corporation;

(xxiii) other than in connection with the Corporation's credit facilities, neither the Corporation nor any of its subsidiaries is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation and applicable laws and other than in favour of agents or underwriters in connection with issuances of securities) or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person;

(xxiv) neither the Corporation nor any of its subsidiaries has any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation that are currently outstanding;

(xxv) there are no actions, suits, proceedings or inquiries in existence or, to the best of the knowledge, information and belief of the Corporation, pending or threatened against or affecting the Corporation or any of its subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis) or which affects or may affect the distribution of the Offered Shares or which would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

(xxvi) the information and statements set forth in the Public Record were true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statement, and the Corporation has not filed any confidential material change report still maintained on a confidential basis;

(xxvii) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, of which 22,151,033 Common Shares and nil preferred shares are currently issued and outstanding, each of which share is validly issued, fully paid and non-assessable;

(xxviii) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (i) 1,709,500 Common Shares reserved for issuance pursuant to options granted by the Corporation pursuant to its stock option plan; and (ii) 550,000 Common Shares issuable pursuant to outstanding common share purchase warrants of the Corporation;

(xxix) none of the directors, officers or employees of the Corporation, or, to the knowledge of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation or any of its subsidiaries which, as the case may be, materially affects, is material to or will materially affect the Corporation and its subsidiaries (taken as a whole);

(xxx) Olympia Trust Company, at its principal offices in the City of Calgary has been duly appointed registrar and transfer agent of the Common Shares;

(xxxi) no Securities Commission, other securities commission or similar regulatory authority, the Exchange or other exchange in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation and no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened;

(xxxii) the issued and outstanding Common Shares are listed and posted for trading on the Exchange and the Corporation is in compliance in all material respects with the current listing and corporate governance requirements of the Exchange;

(xxxiii) the Corporation is a "reporting issuer" in each of the provinces of Canada within the meaning of the Canadian Securities Laws in such provinces and is not in default of any requirement of Canadian Securities Laws in any material respect;

(xxxiv) to the knowledge of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation, other than as disclosed in writing to the Underwriters;

(xxxv) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of the Offered Shares, except pursuant to Applicable Securities Laws and approval of the Exchange;

(xxxvi) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, underwriter's or agent's commission or other similar forms of compensation with respect to the transactions contemplated hereby;

(xxxvii) the form and terms of the definitive certificate representing the Common Shares have been duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;

(xxxviii) to the knowledge of the Corporation, none of its directors or officers are subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;

(xxxix) neither the Corporation nor any of its subsidiaries has received any communications alleging that the Corporation or its subsidiaries has violated or, by conducting its business as proposed, would violate any existing patents or patents pending of any other person or entity and the Corporation is not aware of any potential basis for such an allegation or of any reason to believe that such an allegation may be forthcoming or that there is any such violation;

(xl) other than an Investment Rights Agreement to be entered into on or before the Closing Date among the Corporation and ARC Fund, there is no agreement in force or effect or proposed agreement which in any manner affects or will affect the voting or control of any of the securities of the Corporation;

(xli) the Corporation is insured by insurers of recognized financial responsibly against such losses and risks and in such amounts as are prudent and customary in the businesses in which it and its subsidiaries are engaged; all policies of insurance insuring the Corporation and its subsidiaries or their business, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not have an adverse material effect on the business, operations, revenues, capital, condition (financial or otherwise), liabilities (absolute, accrued, contingent or otherwise) or results of operations of the

Corporation and its subsidiaries (taken as a whole) or their properties or assets (on a consolidated basis);

(xlii) except for contracts provided for review to Underwriters' counsel or disclosed in the Public Record, there are no material contracts or agreements to which the Corporation or any of its subsidiaries is a party or by which they are bound and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation or its subsidiaries, as the case may be, enforceable in accordance with their respective terms and, to the best of the knowledge, information and belief of the Corporation, no party thereto is in default thereunder. For the purposes of this section, any contract or agreement pursuant to which the Corporation or any of its subsidiaries will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of $1,000,000 or receive or be entitled to receive revenue of more than $1,000,000, in either case in the next 12 months, or is out of the ordinary course of business of the Corporation, shall be considered to be material;

(xliii) the Corporation has not granted any registration or distribution rights to any person with respect to its securities, other than those to be granted pursuant to the Investment Rights Agreement;

(xliv) the Corporation is not a party to any written contracts of employment which, according to their terms, may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation other than as disclosed in writing to the Underwriters; and

(xlv) the Corporation does not currently have any Swaps outstanding.

8. Indemnity

(a) The Corporation shall indemnify and save each of the Underwriters, and each of the Underwriters' agents, directors, officers, shareholders and employees harmless against and from all liabilities, claims, actions, suits, investigations, proceedings and all demands, losses (other than losses of profit), costs (including, without limitation, reasonable legal fees and disbursements on a full indemnity basis), damages and expenses to which the Underwriters, or any of the Underwriters' agents, directors, officers, shareholders or employees may be subject or which the Underwriters, or any of the Underwriters' agents, directors, officers, shareholders or employees may suffer or incur, whether under the provisions of any statute or otherwise (including, without limitation, any amounts paid in settlement), in any way caused by, or arising directly or indirectly from or in consequence of:

(i) any information or statement contained in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or in any other document or material filed or delivered by or on behalf of the Corporation pursuant hereto (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, Prospectus, the U.S. Placement Memorandum or any Supplementary Material or such other document or material) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact (other than any information or fact relating solely to the Underwriters) the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;

(ii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, Prospectus, U.S. Placement Memorandum, any Supplementary Material or such other document or material) contained in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or in any other document or any other part of the Public Record filed by or on behalf of the Corporation;

(iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Shares imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in section 8(a)(ii);

(iv) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced, announced or threatened by any one or more competent authorities (not based upon the activities or the alleged activities of the Underwriters or their banking or Selling Dealer Group members, if any) prohibiting, restricting, relating to or materially affecting the trading or distribution of the Offered Shares; or

(v) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the Exchange or any representation, warranty, term or condition of this Agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto;

provided, however, no party who has been determined by a court of competent jurisdiction in a final judgement to have engaged in any fraud, wilful misconduct or negligence shall be entitled, to the extent that the liabilities, claims, actions, suits, investigations, proceedings, demands, losses, costs, damages or expenses were caused by such activity, to claim indemnification from any person who has not also been determined by a court of competent jurisdiction in a final judgment to have engaged in such fraud, wilful misconduct or negligence (provided that for greater certainty, the foregoing shall not disentitle an Underwriter from claiming indemnification hereunder to the extent that the negligence, if any, relates to the Underwriter's failure to conduct adequate "due diligence").

(b) If any claim contemplated by section 8(a) shall be brought, instituted or threatened against any of the persons or corporations in respect of which indemnification is or might reasonably be considered to be provided for in such sections, such person or corporation (the "**Indemnified Person**") shall notify the Corporation (provided that failure to so notify the Corporation of the nature of such claim in a timely fashion shall relieve the Corporation of liability hereunder only if and to the extent that such failure materially prejudices the Corporation's ability to defend such claim) as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such claim, provided however, that the defence shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no admission of liability or settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by section 8(a) if:

(i) the Indemnified Person has been advised by counsel that there may be a reasonable legal defense available to the Indemnified Person which is different from or additional to a defense available to the Corporation and that representation of the Indemnified Person and the Corporation by the same counsel would be inappropriate due to the actual or potential differing interests between them (in which case the Corporation shall not have the right to assume the defense of such proceedings on the Indemnified Person's behalf);

(ii) the Corporation shall not have taken the defense of such proceedings and employed counsel within ten (10) days after notice has been given to the Corporation of commencement of such proceedings; or

(iii) the employment of such counsel has been authorized by the Corporation in connection with the defense of such proceedings;

and, in any such event, the reasonable fees and expenses of such Indemnified Person's counsel (on a solicitor and his client basis) shall be paid by the Corporation, provided that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate law firm (in addition to any local counsel) for all such Indemnified Persons.

(c) The Corporation hereby waives its rights to recover contribution from the Underwriters with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of any misrepresentation which is based upon information relating solely to the Underwriters contained in such document and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record.

(d) If any legal proceedings shall be instituted against the Corporation in respect of the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record or the Offered Shares or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation in respect of the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record or the Offered Shares and, in either case, any Indemnified Person is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Underwriters hereunder, the Indemnified Persons may employ their own legal counsel and, provided such proceeding is not brought as a result of any negligence, fraud, wilful misconduct or any actions or inactions of the Indemnified Person, the Corporation shall pay and reimburse the Indemnified Persons for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Persons in connection with such proceedings or investigation and a fee at the normal per diem rate for any director, officer or employee of the Underwriters involved in the preparation for or attendance at such proceedings or investigation.

(e) The rights and remedies of the Indemnified Persons set forth in sections 8, 9 and 11 (in the case of the Underwriters) hereof are to the fullest extent possible in law cumulative and not alternative and the election by any Underwriter or other Indemnified Person to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any other rights and remedies.

(f) The Corporation hereby acknowledges that the Underwriters are acting as agents for the Underwriters' respective agents, directors, officers, shareholders and employees under this section 8 and under section 9 with respect to all such agents, directors, officers, shareholders and employees.

(g) The Corporation waives any right it may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or claim or to claim payment from any other person before claiming under this indemnity. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.

(h) The rights of indemnity contained in this section 8 shall not apply if the Corporation has complied with the provisions of sections 3 and 4 (or the Underwriters have agreed to waive compliance therewith) and the person asserting any claim contemplated by this section 8 was not provided with a copy of the Prospectus or any amendment to the Prospectus or other document which corrects any misrepresentation or alleged misrepresentation which is the basis of such claim and which was required, under Applicable Securities Laws, to be delivered to such person by the Underwriters.

(i) If the Corporation has assumed the defense of any suit brought to enforce a claim hereunder, the Indemnified Person shall provide the Corporation copies of all documents and information in its possession pertaining to the claim, take all reasonable actions necessary to preserve its rights to object to or defend against the claim, consult and reasonably cooperate with the Corporation in determining whether the claim and any legal proceeding resulting therefrom should be resisted, compromised or settled and reasonably cooperate and assist in any negotiations to compromise or settle, or in any defense of, a claim undertaken by the Corporation.

9. Contribution

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is, for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit), costs (including, without limitation, reasonable legal fees and disbursements on a full indemnity basis), damages and expenses to which they may be subject or which they may suffer or incur:

(a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand, and by the Underwriters on the other hand, from the offering of the Offered Shares; or

(b) if the allocation provided by section 9(a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in section 9(a) above but also to reflect the relative fault of the Underwriters on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters. In the case of liability arising out of the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record, the relative fault of the Corporation, on the one hand, and of the Underwriters, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 8 relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of the Corporation or the Underwriters and the parties' relative intent knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 8.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) whether or not resulting in any action, suit, proceeding or claim.

Each of the Corporation and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding sections. The rights to contribution provided in this section 9 shall be in addition to, and without prejudice to, any other right to contribution which the Underwriters or other Indemnified Persons may have.

Any liability of the Underwriters under this section 9 shall be limited to the amount actually received by the Underwriters under section 2.

The obligations under indemnity and right to contribution provided herein shall apply whether or not the transactions contemplated by this Agreement are completed and shall survive the completion of the transactions contemplated under this Agreement and the termination of this Agreement.

10. Expenses

Whether or not the transactions contemplated herein shall be completed all costs and expenses (including applicable GST) of or incidental to the transactions contemplated hereby including, without limitation, those relating to the distribution of the Offered Shares, shall be borne by the Corporation including, without limitation, all costs and expenses of or incidental to the preparation, filing, reproduction (including the commercial copies thereof) of the Preliminary Prospectus, the Prospectus, the U.S. Placement Memorandum, any Supplementary Material and the delivery thereof to the Underwriters, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation or the Corporation's counsel, the fees and expenses of the Corporation's transfer agent and any auditors and other outside consultants, all stock exchange listing fees, the reasonable out of pocket expenses of the Underwriters (to a maximum of $10,000 plus GST for both the offering of Offered Shares pursuant hereto and the Private Placement), the legal fees (to a maximum of $70,000 plus GST for both the offering of Offered Shares pursuant hereto and the Private Placement) and disbursements of Underwriters' counsel, and all other costs and expenses relating to the transactions contemplated herein. All fees and expenses incurred by the Underwriters which are reimbursable hereunder shall be payable by the Corporation immediately upon receiving an invoice therefor from the Underwriters.

11. Termination

(a) In addition to any other rights or remedies available to the Underwriters, the Underwriters, or any of them, may, without liability, terminate their obligations hereunder, by written notice to the Corporation in the event that after the date hereof and at or prior to the Closing Time:

(i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Shares is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the Exchange, other stock exchange or other competent authority, and has not been rescinded, revoked or withdrawn;

(ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of the directors or senior officers of the Corporation is announced, commenced or threatened by any securities commission or similar regulatory authority, the Exchange, other stock exchange or any other competent authority or any order has been issued under or pursuant to any statute of Canada or of any province of Canada, or any other applicable law or regulatory authority or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the opinion of the Underwriters or any one of them, acting reasonably, the change, announcement, commencement or threatening thereof adversely affects, or may adversely affect, the trading or distribution of the Offered Shares or the trading of any other securities of the Corporation;

(iii) there shall have occurred or be discovered an event, fact or circumstance (actual, contemplated or threatened) which, as determined by the Underwriters or any one of them, acting reasonably, constitutes a change in material fact or occurrence of a material fact or event in respect of the business, operations, capital or condition (financial or otherwise) or business prospects of the Corporation or its properties, assets, liabilities (absolute, accrued, contingent or otherwise) or obligations which in the opinion of the Underwriters or any one of them, could reasonably be expected to have a material adverse effect on the market price or value of the Offered Shares;

(iv) there should develop, occur or come into effect or existence, or be announced, any event, action, state, condition or occurrence of national or international consequence, including any act of terrorism, war or like event, or any law, action, regulation or other occurrence of any nature whatsoever, which, in the opinion of the Underwriters or any one of them, acting reasonably, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets generally or the business, operations or affairs of the Corporation and its subsidiaries (taken as a whole);

(v) the Underwriters, or any of them, shall become aware of any material information with respect to the Corporation which had not been publicly disclosed or disclosed to the Underwriters at or prior to the date hereof and which in the opinion of the Underwriters or any one of them, acting reasonably, could be expected to have a material adverse effect on the market price or value of the Offered Shares or the marketability of the Offered Shares;

(vi) the Corporation shall be in breach of, default under or non-compliance with any representation, warranty, covenant, term or condition of this Agreement in any material respect; or

(vii) the Private Placement has not closed prior to or will not be closing concurrently with the offering of Offered Shares pursuant hereto.

(b) The Underwriters, or any of them, may exercise any or all of the rights provided for in section 11(a) or section 12 or 16 notwithstanding any material change, change, event or state of facts and (except where the Underwriter purporting to exercise any of such rights is in breach of its obligations under this Agreement) notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Underwriters related to the offering or continued offering of the Offered Shares for sale and any act taken by the Underwriters in connection with any amendment to the Prospectus (including the execution of any amendment or any other Supplementary Material) and the Underwriters shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to section 11(a) or section 12 or 16 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

(c) Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation provided that no termination shall discharge or otherwise affect any obligation of the Corporation under section 8, 9 or 10. The rights of the Underwriters to terminate their obligations hereunder are in addition to, and without prejudice to, any other rights or remedies they may have.

(d) If an Underwriter elects to terminate its obligation to purchase the Offered Shares as aforesaid, whether the reason for such termination is within or beyond the control of the Corporation, the liability of the Corporation hereunder with respect to such Underwriter shall be limited to the indemnity referred to in section 8, the contribution rights referred to in section 9 and the payment of expenses referred to in section 10.

12. Closing Documents

The obligations of the Underwriters hereunder to purchase the Offered Shares at the Closing Time shall be conditional upon all representations and warranties and other statements of the Corporation herein being, at and as of the Closing Time, true and correct in all material respects, the Corporation having performed in all material respects, at the Closing Time, all of its obligations hereunder theretofore to be performed and the Underwriters receiving at the Closing Time:

(a) favourable legal opinions of the Corporation's counsel and the Underwriters' counsel addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, with respect to such matters as the Underwriters may reasonably request relating to the Corporation, the offering of the Offered Shares and the transactions contemplated hereby, including, without limitation, that:

(i) each of the Corporation and its subsidiaries has been duly incorporated and is validly subsisting under the laws of the jurisdiction of its incorporation and has all requisite corporate capacity, power and authority to carry on its business as now conducted by it and to own its properties and assets;

(ii) the Corporation has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein and this Agreement has been duly authorized, executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to laws relating to creditors' rights generally and except as rights to indemnity and contribution may be limited by applicable law;

(iii) the execution and delivery of this Agreement and the fulfillment of the terms hereof by the Corporation, and the performance of and compliance with the terms of this Agreement by the Corporation does not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under: (a) any applicable laws of the Province of Alberta or the federal laws of Canada applicable therein; (b) any term or provision of the articles, by-laws or other constating documents of the Corporation or any of its subsidiaries; (c) of which counsel is aware, any resolutions of the shareholders or directors (or any committee thereof) of the Corporation or any of its subsidiaries; (d) of which counsel is aware, any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation or any of its subsidiaries is a party or by which it is bound; or (e) of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over or binding the Corporation or any of its subsidiaries or their respective properties or assets;

(iv) the Offered Shares have been validly issued as fully paid and non-assessable Common Shares;

(v) the Corporation is a "reporting issuer" not in default of any requirement of the *Securities Act* (Alberta) and the regulations thereunder and has a similar status under the Canadian Securities Laws of each of the other Qualifying Provinces;

(vi) the attributes of the Offered Shares conform in all material respects with the description thereof contained in the Prospectuses;

(vii) the Offered Shares are eligible investments as set out under the heading "Eligibility for Investment" in the Prospectuses;

(viii) all necessary documents have been filed, all necessary proceedings have been taken and all legal requirements have been fulfilled as required under the Canadian Securities Laws of each of the Qualifying Provinces in order to qualify the Offered Shares for distribution and sale to the public in each of such Qualifying Provinces by or through investment dealers and brokers duly registered under the applicable laws of such provinces who have complied with the relevant provisions of such Canadian Securities Laws;

(ix) the Corporation has the necessary corporate power and authority to execute and deliver the Prospectuses and all necessary corporate action has been taken by the Corporation to authorize the execution and delivery by it of the Prospectuses and the filing thereof, as the case may be, in each of the Qualifying Provinces in accordance with Canadian Securities Laws;

(x) the Offered Shares are conditionally approved for listing and, upon notification to the Exchange of the issuance and sale thereof and fulfillment of the conditions of the Exchange, will be listed and posted for trading on the Exchange;

(xi) Olympia Trust Company has been duly appointed by the Corporation as the transfer agent and registrar for the Common Shares (including the Offered Shares);

(xii) the form and terms of the definitive certificates representing the Common Shares have been duly approved and adopted by the board of directors of the Corporation and comply with all legal requirements (including the requirements of the Exchange) relating thereto;

(xiii) the authorized and issued capital of the Corporation;

and as to all other legal matters, including compliance with Canadian Securities Laws in any way connected with the issuance, sale and delivery of the Offered Shares as the Underwriters may reasonably request.

It is understood that the respective counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than where they are qualified to practice law, and on certificates of officers of the Corporation, the transfer agent and the Corporation's auditors as to relevant matters of fact. It is further understood that the Underwriters' counsel may rely on the opinion of the Corporation's counsel as to matters which specifically relate to the Corporation or the Offered Shares, including the issuance of the Offered Shares;

(b) if requested by the Underwriters, if any of the Offered Shares are sold in the United States, a favourable legal opinion by Dorsey & Whitney LLP, the Corporation's United States counsel, in form and substance reasonably satisfactory to the Underwriters, which opinion may be subject to usual and customary qualifications for opinions of this type, to the effect that no registration under the U.S. Securities Act is required for the offer and sale of the Offered Shares in the United States by the Corporation and the Underwriters pursuant to and in accordance with the terms of this Agreement, it being understood that such counsel need not express an opinion for the subsequent resale of the Offered Shares;

(c) a certificate of the Corporation dated the Closing Date addressed to the Underwriters and signed on behalf of the Corporation by the President and the Chief Financial Officer of the Corporation or such other officers of the Corporation satisfactory to the Underwriters, acting reasonably, certifying that:

(i) the Corporation has complied with and satisfied in all material respects all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time;

(ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct in all material respects at the Closing Time, as if made at such time (and, with respect to the representations and warranties contemplated by section 7(a), as if the Prospectus was delivered to the Underwriters at the Closing Time); and

(iii) no event of a nature referred to in section 11(a)(i), 11(a)(ii), 11(a)(iii) or 11(a)(vi) has occurred or to the knowledge of such officer is pending, contemplated or threatened (excluding any requirement to make any determination as to any Underwriter's opinion);

and each such statement shall be true and the Underwriters shall have no knowledge to the contrary;

(d) a comfort letter of the Corporation's auditors addressed to the Underwriters and dated the Closing Date, satisfactory in form and substance to the Underwriters, acting reasonably, bringing the information contained in the comfort letters referred to in section 4(c) hereof up to the Closing Time, which comfort letters shall have a cut-off date of not more than two Business Days prior to the Closing Date;

(e) evidence satisfactory to the Underwriters that the Offered Shares have been conditionally listed on the Exchange, and upon notice to the Exchange shall be posted for trading as at the opening of business on the Closing Date;

(f) evidence satisfactory to the Underwriters that the Private Placement shall have closed or be closing concurrently with the offering of Offered Shares pursuant hereto; and

(g) such other certificates and documents as the Underwriters may request, acting reasonably.

13. Deliveries

(a) The sale of the Offered Shares to be purchased hereunder shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in section 12, the Underwriters, on the Closing Date, shall deliver to the Corporation, by certified cheque, bank draft or wire transfer, the amount of $2.00 per

Offered Share (being an aggregate amount of $20,000,000) against delivery by the Corporation of:

(i) the opinions, certificates and documents referred to in section 12;

(ii) definitive certificates representing, in the aggregate, all of the Offered Shares registered, subject to section 13(b) below, in the name of CDS & Co. or in such name or names as the Underwriters shall notify the Corporation in writing not less than 24 hours prior to the Closing Time; and

(iii) payment to Cormark Securities Inc., on behalf of the Underwriters, by certified cheque, bank draft or wire transfer or such other means as the Corporation and the Underwriters may agree, of the Underwriting Fee provided for in section 2 in respect of the Offered Shares;

or the Underwriters may, in their discretion, deliver by certified cheque, bank draft or wire transfer the net amount of the amount in respect of the Offered Shares referred to above and the amount referred to in (iii) above.

(b) If the Corporation determines to issue all or part of the Offered Shares as a book-entry only security in accordance with the rules and procedures of The Canadian Depository for Securities Limited ("**CDS**"), then, as an alternative to the Corporation delivering to the Underwriters definitive certificates representing the Offered Shares in the manner and at the times set forth in this section 13:

(i) the Underwriters will provide a direction to CDS with respect to the crediting of the Offered Shares to the accounts of the participants of CDS as shall be designated by the Underwriters in writing in sufficient time prior to the Closing Date to permit such crediting; and

(ii) the Corporation shall cause Olympia Trust Company, as registrar and transfer agent of the Offered Shares, to deliver to CDS, on behalf of the Underwriters, one fully registered global certificate for the Offered Shares to be purchased hereunder, registered in the name of "CDS & Co." as the nominee of CDS, to be held by CDS as a book-entry only security in accordance with the rules and procedures of CDS.

14. Restrictions on Offerings

The Corporation agrees that, from the date hereof and ending on the date that is 120 days following the Closing Date, it will not offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior consent of Cormark Securities Inc., not to be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may, without such consent grant options pursuant to its stock option plan to directors, officers, consultants or employees of the Corporation and issue Common Shares on exercise thereof or on exercise of other outstanding instruments as of the date hereof (including the common share purchase warrants of the Corporation) and issue securities pursuant to the Investment Rights Agreement.

15. Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation be addressed to the Corporation, c/o Mr. Bradley P.D. Fedora, President, at the above address, Fax No. (403) 355-2211 with a copy to:

Blake, Cassels & Graydon LLP
855 – 2nd Street S.W.
Suite 3500, Bankers Hall East Tower
Calgary, Alberta
T2P 4J8

Attention: Scott R. Cochlan
Fax No.: (403) 260-9700

and, in the case of notice to be given to the Underwriters, be addressed to:

Cormark Securities Inc.
Suite 1800, 300-5th Avenue S.W.
Calgary, Alberta
T2P 3C4

Attention: Ryan A. Shay
Fax No.: (403) 266-4222

Peters & Co. Limited
3900 Bankers Hall West
888 – 3rd Street S.W.
Calgary, Alberta
T2P 5C5

Attention: Christopher S. Potter
Fax No.: (403) 261-7570

Raymond James Ltd.
Suite 2500, 707 – 8th Avenue S.W.
Calgary, Alberta
T2P 1H5

Attention: Jason L. Holtby
Fax No.: (403) 509-0535

and a copy to:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta
T2P 3N9

Attention: Alyson F. Goldman
Fax No.: (403) 260-0332

or to such other address as the party may designate by notice given to the other. Each communication shall be personally delivered to the addressee or sent by facsimile transmission to the addressee, and:

(a) a communication which is personally delivered shall, if delivered before 4:00 p.m. (local time at the place of delivery) on a Business Day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first Business Day following the day on which it is delivered; and

(b) a communication which is sent by facsimile transmission shall, if sent on a Business Day before 4:00 p.m. (local time at the place of receipt), be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is sent.

16. Conditions

All terms, covenants and conditions of this Agreement to be performed by the Corporation shall be construed as conditions, and any breach or failure to comply with any material terms and conditions which are for the benefit of the Underwriters shall entitle the Underwriters to terminate their obligations to purchase the Offered Shares, by written notice to that effect given to the Corporation prior to the Closing Time. The Underwriters may waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of their rights in respect of any other representation, warranty, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Underwriters only if the same is in writing.

17. Survival of Representations and Warranties

All representations, warranties, terms and conditions herein (including, without limitation, those contained in section 7) or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the payment by the Underwriters for the Offered Shares and the distribution of the Offered Shares pursuant to the Prospectus and the U.S. Placement Memorandum and shall continue in full force and effect for the benefit of the Underwriters regardless of any investigation by or on behalf of the Underwriters with respect thereto.

18. Several Liability of Underwriters

The Underwriters' rights and obligations under this Agreement are several and not joint and several including, without limitation, that:

(a) each of the Underwriters shall be obligated to purchase only the percentage of the total number of Offered Shares set forth opposite their names set forth in this section 18;

(b) if at the Closing Time any one or more of the Underwriters shall fail or refuse to purchase its respective percentage set forth below of the aggregate number of the Offered Shares (other than in accordance with section 11) and the number of such Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than 10% of the aggregate number of Offered Shares to be purchased at such time, the non-defaulting Underwriters shall be obligated severally, in the proportions that the respective percentage set forth below opposite the names of all such non-defaulting

Underwriters, to purchase the Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase at such time; and

(c) if any one or more of the Underwriters shall not purchase its applicable percentage of the Offered Shares at the Closing Time, and the number of such Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is more than 10% of the aggregate number of Offered Shares to be purchased at such time, the non-defaulting Underwriters shall have the right, but shall not be obligated, to purchase all of the percentage of the Offered Shares which would otherwise have been purchased by such one or more of the defaulting Underwriters; the Underwriters exercising such right shall purchase such Offered Shares pro rata to their respective percentages aforesaid or in such other proportions as they may otherwise agree. In the event such right is not exercised, the Underwriters which are not in default shall be entitled by written notice to the Corporation to terminate this Agreement without liability.

The applicable percentage of the total number of Offered Shares which each of the Underwriters shall be separately obligated to purchase is as follows:

Cormark Securities Inc.	55.0%
Peters & Co. Limited	35.0%
Raymond James Ltd.	10.0%
	100.0%

Nothing in this Agreement shall obligate the Corporation to sell less than all of the Offered Shares or shall relieve any Underwriter in default from liability to the Corporation or to any non-defaulting Underwriter in respect of the defaulting Underwriter's default hereunder. In the event of a termination by the Corporation of its obligations under this Agreement there shall be no further liability on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may thereafter arise under sections 8, 9 or 10.

19. Authority to Bind Underwriters

The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by Cormark Securities Inc., which shall represent the Underwriters, and which shall have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under section 8 or 9, any matter referred to in section 11 or any agreement under section 18. While not affecting the foregoing, Cormark Securities Inc. shall consult with the other Underwriters with respect to any such notice, waiver, extension or other communication.

20. Underwriters Covenants

(a) Each of the Underwriters covenants and agrees with the Corporation that it will:

(i) conduct activities in connection with the proposed offer and sale of the Offered Shares in compliance with all the Applicable Securities Laws and cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of the Offered Shares;

(ii) not solicit subscriptions for the Offered Shares, trade in Offered Shares or otherwise do any act in furtherance of a trade of Offered Shares in any jurisdictions outside of the Qualifying Provinces, except as contemplated in

Schedule "A" attached hereto or in such other jurisdictions outside of Canada and the United States provided that such sales: (i) are made in accordance with the applicable securities laws of such other jurisdictions; (ii) do not subject the Corporation (or any of its directors, officers or employees) to any requirement to register, complete filings, or obtain approvals or to any inquiry, investigation or proceeding of any regulatory authority in such other jurisdictions; and (iii) do not constitute Directed Selling Efforts (as defined in Schedule "A" hereto); and

(iii) as soon as reasonably practicable after the Closing Date (and in any event within 30 days thereof) provide the Corporation with a break down of the number of Offered Shares sold in each of the Qualifying Provinces and, upon completion of the distribution of the Offered Shares, provide to the Corporation and to the Securities Commissions notice to that effect, if required by Applicable Securities Laws.

(b) For the purposes of this section 20, the Underwriters shall be entitled to assume that the Offered Shares may be lawfully offered for sale and sold in the Qualifying Provinces if the Final Passport System Decision Document has been issued evidencing that a receipt for the Prospectus has been issued by the Securities Commissions, provided the Underwriters do not have actual knowledge, and have not been notified in writing by the Corporation, of any circumstances that would legally prohibit such distribution.

(c) The Underwriters shall be entitled to offer the Offered Shares to certain purchasers in the United States in accordance with the terms set out in Schedule "A" attached hereto.

(d) No Underwriter will be liable to the Corporation under this section 20 with respect to a default by any of the other Underwriters but will be liable to the Corporation only for its own default.

21. Severance

If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

22. Relationship Between the Corporation and the Underwriters

The Corporation: (i) acknowledges and agrees that the Underwriters have certain statutory obligations as registrants under the Canadian Securities Laws and have fiduciary relationships with their clients; and (ii) consents to the Underwriters acting hereunder while continuing to act for their clients. To the extent that the Underwriters' statutory obligations as registrants under the Canadian Securities Laws or fiduciary relationships with their clients conflicts with their obligations hereunder the Underwriters shall be entitled to fulfil their statutory obligations as registrants under the Canadian Securities Laws and their duties to their clients. Nothing in this Agreement shall be interpreted to prevent the Underwriters from fulfilling their statutory obligations as registrants under the Canadian Securities Laws or to act as a fiduciary of their clients.

23. Stabilization

In connection with the distribution of the Offered Shares, the Underwriters may over-allot or effect within the transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market, but in each case only as permitted by applicable law. Such stabilizing transactions, if any, may be discontinued at any time.

24. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each of the Corporation and the Underwriters hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

25. Time of the Essence

Time shall be of the essence of this Agreement.

26. Counterpart Execution

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement. Delivery of counterparts may be effected by facsimile transmission.

27. Further Assurances

Each party to this Agreement covenants agrees that from time to time, it will, at the request of the requesting party, execute and deliver all such documents and do all such other acts and things as any party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

28. Use of Proceeds

The Corporation agrees to use the proceeds from the issuance and sale of the Offered Shares substantially in accordance with the disclosure in the Prospectuses.

29. U.S. Offers

(a) The Underwriters make the representations, warranties and covenants applicable to them in Schedule "A" hereto and agree, on behalf of themselves and their United States registered broker-dealer affiliates, for the benefit of the Corporation, to comply with the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule "A" hereto, which forms part of this Agreement. Notwithstanding the foregoing provisions of this section, an Underwriter will not be liable to the Corporation under this section or Schedule "A" with respect to a violation by another Underwriter of the provisions of this section or Schedule "A" if the former Underwriter is not itself also in violation.

(b) The Corporation makes the representations, warranties and covenants applicable to it in Schedule "A" hereto.

30. Entire Agreement

It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation.

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

CORMARK SECURITIES INC.

Per: (signed) "*Ryan A. Shay*"

PETERS & CO. LIMITED

Per: (signed) "*Christopher S. Potter*"

RAYMOND JAMES LTD.

Per: (signed) "*Jason L. Holtby*"

ACCEPTED AND AGREED to as of the 6th day of October, 2009.

CANYON SERVICES GROUP INC.

Per: (signed) "*Bradley P.D. Fedora*"

SCHEDULE "A"

TERMS AND CONDITIONS FOR UNITED STATES OFFERS AND SALES

This is Schedule "A" to the Underwriting Agreement among Canyon Services Group Inc. and Cormark Securities Inc., Peters & Co. Limited and Raymond James Ltd. made as of October 6, 2009.

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

"**Directed Selling Efforts**" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Offered Shares;

"**Institutional Accredited Investor**" means institutions that are "accredited investors" as specified in Rule 501(a)(1), (2), (3) or (7) of Regulation D;

"**Qualified Institutional Buyer**" means a "qualified institutional buyer" as that term is defined in Rule 144A;

"**Regulation D**" means Regulation D adopted by the SEC under the U.S. Securities Act;

"**Regulation S**" means Regulation S adopted by the SEC under the U.S. Securities Act;

"**Rule 144A**" means Rule 144A adopted by the SEC under the U.S. Securities Act;

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

"**Selling Dealer Group**" means dealers and brokers other than the Underwriters and their U.S. broker-dealer affiliates who participate in the offer and sale of Offered Shares pursuant to the Underwriting Agreement;

"**Substantial U.S. Market Interest**" means "substantial U.S. market interest" as that term is defined in Regulation S; and

"**U.S. Placement Memorandum**" means the Confidential United States Private Placement Memorandum in the form agreed upon by the Corporation and the Underwriters that is used in connection with the offer and sale of the Offered Shares in the United States.

Representations, Warranties and Covenants of the Underwriters

Each Underwriter represents and agrees to and with the Corporation that:

(a) It acknowledges that the Offered Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act or outside the United States in compliance with Regulation S. It, its affiliates and each member of the Selling Dealer

Group has not offered and sold, and will not offer and sell, any Offered Shares except (i) outside the United States in an offshore transaction in accordance with Rule 903 of Regulation S or (ii) in the United States in accordance with Rule 144A or in accordance with Regulation D as provided in paragraph (c) through (k) below. Neither the Underwriter nor any of its affiliates, nor any member of the Selling Dealer Group, nor any person acting on its or their behalf, has made or will make any Directed Selling Efforts in the United States with respect to the Offered Shares.

(b) It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Shares, except with its affiliates, with members of the Selling Dealer Group or otherwise with the prior written consent of the Corporation. It shall require each of its U.S. broker-dealer affiliates and each Selling Dealer Group member to agree, for the benefit of the Corporation, to comply with, and shall use its best efforts to ensure that each of its U.S. broker-dealer affiliates and each Selling Dealer Group member complies with, the same provisions of this Schedule as apply to such Underwriter.

(c) All offers to sell and solicitations of offers to buy Offered Shares in the United States shall be made through a U.S. registered broker-dealer affiliate of an Underwriter in compliance with all applicable U.S. federal and state broker-dealer requirements governing the registration and conduct of broker-dealers. Such broker-dealer affiliate is a Qualified Institutional Buyer and is and will be a duly registered broker-dealer with the SEC under the U.S. Exchange Act and each applicable state and a member in good standing of the Financial Industry Regulatory Authority, Inc. on the date hereof and at the date of any offer or sale of Offered Shares in the United States.

(d) All offers of Offered Shares in the United States have not been and shall not be made by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act.

(e) All offers to sell and solicitations of offers to buy the Offered Shares in the United States shall be made only: (a) in compliance with Rule 144A to persons reasonably believed to be Qualified Institutional Buyers and (b) in compliance with Regulation D to persons reasonably believed to be Institutional Accredited Investors and shall be made pursuant to and in accordance with exemptions from the registration or qualification requirements of all applicable state securities ("**Blue Sky**") laws. All sales of Offered Shares outside the United States shall be made to persons who were reasonably believed by the Underwriter to be outside the United States when they placed their orders to purchase.

(f) All purchasers of the Offered Shares in the United States purchasing pursuant to Rule 144A shall purchase such shares from the Underwriter, or its U.S. registered broker-dealer affiliate, acting as principal and all purchasers of Offered Shares in the United States pursuant to Regulation D shall purchase such shares, as Substituted Purchasers directly from the Corporation.

(g) Each offeree in the United States has been or will be provided by the Underwriter through its U.S. registered broker-dealer affiliate, with a copy of the U.S. Placement Memorandum including the Preliminary Prospectus and/or the Prospectus, as applicable, each purchaser in the United States will have received at or prior to the time of purchase of any Offered Shares the U.S. Placement Memorandum including the Prospectus, and each purchaser of Offered Shares in the United States that is purchasing pursuant to Rule 144A shall be deemed to have made the representations and warranties applicable to it in the U.S. Placement Memorandum.

(h) The Underwriters shall obtain from each purchaser of Offered Shares in the United States that is purchasing pursuant to Rule 506 of Regulation D and shall deliver to the Corporation at the closing a signed Subscription Agreement in the form of Exhibit I to the U.S. Placement Memorandum.

(i) At least one Business Day prior to the Closing Date, the Underwriters shall provide the Corporation with a list of all purchasers of Offered Shares and all purchasers of Offered Shares who were offered Offered Shares in the United States.

(j) At closing, each Underwriter who, together with its U.S. broker-dealer affiliate offered or sold Offered Shares in the United States, will provide a certificate, substantially in the form of Exhibit A to this Schedule relating to the manner of the offer and sale of the Offered Shares in the United States. Failure of an Underwriter to provide such certificate shall constitute a representation by such Underwriter that neither it nor any of its affiliates offered or sold any Offered Shares in the United States.

(k) None of the Underwriters, its U.S. broker-dealer affiliate or any person acting on behalf of any of them has violated or will violate Regulation M in connection with offers and/or sales of Offered Shares.

<u>Representations, Warranties and Covenants of the Corporation</u>

The Corporation represents, warrants, covenants and agrees that:

(a) (i) The Corporation is a "foreign issuer" within the meaning of Regulation S and reasonably believes that there is no Substantial U.S. Market Interest in the Offered Shares; (ii) the Corporation is not now and as a result of the sale of Offered Shares contemplated hereby will not be required to be registered as an "investment company" under the United States Investment Company Act of 1940, as amended; (iii) none of the Corporation, any of its affiliates, or any person acting on its or their behalf (other than the Underwriters, their affiliates, the members of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warranty, covenant or agreement) has made or will make any Directed Selling Efforts, or has engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Regulation D) or has acted or will act in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act in connection with the offer or sale of the Offered Shares in the United States; (iv) the Offered Shares are not, and as of the Closing Time will not be, and no securities of the same as the Offered Shares are or will be, (A) listed on a national securities exchange in the United States registered under Section 6 of the U.S. Exchange Act, (B) quoted in an "automated inter-dealer quotation system", as such term is used in the U.S. Exchange Act, or (C) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted, (v) in connection with offers and sales of the Offered Shares outside the United States, the Corporation, its affiliates and any person acting on its or their behalf (other than the Underwriters, their affiliates, the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warranty, covenant or agreement) have complied and will comply with the requirements for an offshore transaction (as that term is used in Regulation S); and (vi) the Corporation has not offered the Offered Shares to any person other than the Underwriters and their affiliates and will not sell any Offered Shares to any person other than the Underwriters and their affiliates and persons that the Underwriters reasonably believe to be Institutional Accredited Investors and who executed and delivered a Subscription Agreement in the form of Exhibit I to the U.S. Placement Memorandum; and (vii) the Corporation has not, during the six months immediately prior to the offer and sale of the Offered Shares, offered or sold any securities in the

United States or, except for offers and sales made pursuant to and in accordance with Rule 903 of Regulation S, outside the United States.

(b) For so long as any of the Offered Shares are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and may not be resold pursuant to Rule 144(b)(1) thereunder, if the Corporation is not subject to and in compliance with the reporting requirements of Section 13 or Section 15(d) of the U.S. Exchange Act or exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Corporation will provide to any holder of such Offered Shares, or to any prospective purchaser of such Offered Shares designated by such holder, upon the request of such holder or prospective purchaser, at or prior to the time of resale, the information required to be provided by Rule 144A(d)(4).

EXHIBIT A

UNDERWRITERS' CERTIFICATE

In connection with the private placement by Canyon Services Group Inc. (the "**Corporation**") in the United States of Offered Shares pursuant to the Underwriting Agreement dated as of October 6, 2009 among the Corporation and the Underwriters named therein (the "**Underwriting Agreement**"), each of the undersigned Underwriter and its U.S. affiliate who has signed below in its capacity as placement agent in the United States (the "**U.S. Placement Agent**") does hereby certify as follows:

(i) the Offered Shares have been offered in the United States only by the U.S. Placement Agent and were sold either (a) by the Corporation to Substituted Purchasers who we reasonably believed to be Institutional Accredited Investors, or (b) by the U.S. Placement Agent (or by the undersigned Underwriter through the U.S. Placement Agent) to Qualified Institutional Buyers;

(ii) the U.S. Placement Agent is on the date hereof a duly registered broker or dealer with the United States Securities and Exchange Commission and under the securities laws of each state in which such offers and sales were made, and is a member of and in good standing with the Financial Industry Regulatory Authority, Inc., and all offers and sales of the Offered Shares by it in the United States have been and will be made in accordance with all U.S. federal and state broker-dealer requirements and requirements for the registration and qualification of securities;

(iii) each offeree in the United States was provided with a copy of the U.S. Placement Memorandum, including one or both of the Preliminary Prospectus and the Prospectus, and each purchaser of Offered Shares in the United States, prior to the sale of the Offered Shares to such purchaser, was provided with a copy of the U.S. Placement Memorandum, including the Propspectus, and no other written material has been used by us in connection with the offer and sale of the Offered Shares;

(iv) immediately prior to our transmitting such U.S. Placement Memorandum to such offerees, we had reasonable grounds to believe and did believe that (a) each offeree of Offered Shares pursuant to Rule 144A was a Qualified Institutional Buyer and, on the date hereof, we continue to believe that each U.S. purchaser of Offered Shares from us pursuant to Rule 144A is a Qualified Institutional Buyer, and (b) each other offeree was an Institutional Accredited Investor, and on the date hereof, we continue to believe that each U.S. purchaser purchasing Offered Shares from the Corporation pursuant to Rule 506 of Regulation D is an Institutional Accredited Investor. Prior to any sale to a U.S. purchaser in the United States that is purchasing pursuant to Rule 506 of Regulation D, we obtained from such purchaser a signed Subscription Agreement in the form of Exhibit I to the U.S. Placement Memorandum;

(v) no form of general solicitation or general advertising (as those terms are used in Regulation D) was used by us, including advertisements, articles, notices or other communications published on the internet or in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Offered Shares in the United States, nor have we solicited offers for or offered to sell the Offered Shares by any means involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act;

(vi) neither we nor any member of the Selling Dealer Group, nor any of our affiliates, have taken or will take any action that would constitute a violation of Regulation M of the SEC under the U.S. Securities Exchange Act of 1934, as amended; and

(vii) the offer and sale of the Offered Shares has been conducted by us in accordance with the terms of the Underwriting Agreement.

Capitalized terms used in this certificate have the meanings given to them in the Underwriting Agreement unless otherwise defined herein.

Dated this ___________ day of _____________, 2009.

•	•
By: ____________________________________	By: ____________________________________
Name:	Name:
Title:	Title: